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# INTERLOCKING SUBVERSION IN GOVERNMENT DEPARTMENTS

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## HEARING

BEFORE THE

SUBCOMMITTEE TO INVESTIGATE THE  
ADMINISTRATION OF THE INTERNAL SECURITY  
ACT AND OTHER INTERNAL SECURITY LAWS

OF THE

COMMITTEE ON THE JUDICIARY

UNITED STATES SENATE

EIGHTY-THIRD CONGRESS

FIRST SESSION

ON

INTERLOCKING SUBVERSION IN GOVERNMENT  
DEPARTMENTS

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JUNE 25, 1953

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PART 13

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Printed for the use of the Committee on the Judiciary



UNITED STATES  
GOVERNMENT PRINTING OFFICE  
WASHINGTON : 1953

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## SUBCOMMITTEE TO INVESTIGATE THE ADMINISTRATION OF THE INTERNAL SECURITY ACT AND OTHER INTERNAL SECURITY LAWS

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\*Senator Willis Smith, North Carolina, participated actively in the work of the subcommittee until his untimely death on June 23, 1953.

# INTERLOCKING SUBVERSION IN GOVERNMENT DEPARTMENTS

THURSDAY, JUNE 25, 1953

UNITED STATES SENATE,  
SUBCOMMITTEE TO INVESTIGATE THE ADMINISTRATION  
OF THE INTERNAL SECURITY ACT, AND OTHER INTERNAL  
SECURITY LAWS, OF THE COMMITTEE ON THE JUDICIARY,  
*Washington, D. C.*

The subcommittee met, pursuant to call, at 10:30 a. m., in room 318, Senate Office Building, Senator William E. Jenner (chairman of the subcommittee) presiding.

Present: Senators Jenner, Welker, Butler, and McCarran.

Also present: Robert Morris, subcommittee counsel; Benjamin Mandel, director of research; and Robert C. McManus, staff member.

The CHAIRMAN. The committee will come to order.

Mr. Panuch, will you be sworn to testify?

Do you swear that the testimony given in this hearing will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. PANUCH. I do, so help me God.

The CHAIRMAN. You may be seated.

## TESTIMONY OF J. ANTHONY PANUCH, NEW YORK, N. Y.

The CHAIRMAN. You may state your full name to the committee.

Mr. PANUCH. J. Anthony Panuch.

The CHAIRMAN. Where do you reside, Mr. Panuch?

Mr. PANUCH. 44 East 67th Street, New York City.

The CHAIRMAN. What is your business or profession?

Mr. PANUCH. I am a lawyer by profession.

The CHAIRMAN. Where is your law office located?

Mr. PANUCH. 60 East 42d Street, New York City.

The CHAIRMAN. Mr. Morris, you may proceed with the questioning of the witness.

Mr. MORRIS. Mr. Chairman, this witness has been preceded by witnesses who have been in the Office of Strategic Services, the Office of War Information and the Office of Inter-American Affairs. Many of these witnesses whom I have just described have been identified in sworn testimony to have been active in the Communist organization. When called to the stand, all of these people invoked their privilege against incrimination. In connection with this incidence, Mr. Panuch has been called here today to give general background testimony on the reorganization of the State Department that took place at approximately that time.

The CHAIRMAN. All right. You may proceed.

Mr. MORRIS. Mr. Panuch, would you outline the duties that you have had in connection with service with the United States Government prior to your work in the State Department?

Mr. PANUCH. In September of 1938 I became special counsel to the Securities and Exchange Commission in corporate reorganizations.

My jurisdiction involved the representation of the Commission in all corporate reorganizations conducted in the Federal courts in the Federal districts of Connecticut, New York, Pennsylvania, and New Jersey. I held that position until January of 1942. In 1942 I became deputy chairman and later chairman of the policy committee of the Board of Economic Warfare. That committee was composed of representatives of the Army, Navy, War Production Board, Office of Price Administration, Lend-Lease, State Department, Petroleum Administration, and a couple of others.

The function of that committee was to screen exports from a policy standpoint, and when I say "exports," I mean nonmilitary exports going to Latin America and the non-Axis nations.

While in the Board of Economic Warfare, I was that Board's representative to the requirement committee of the War Production Board, representing the national export interests.

In January 1943 I came to the War Department and became special and confidential assistant to Gen. Lucius D. Clay, then Director of Materiel of the Armed Service Forces. I held that position with General Clay until the end of 1944 and accompanied General Clay to the Office of War Mobilization and Reconversion when he became deputy to Mr. Justice Byrnes, who was then Director of War Mobilization. I held that position under Mr. Justice Vinson and Director Snyder until October of 1945.

In October of 1945, upon Mr. Byrnes' request, I joined him in the State Department in the capacity of Deputy Assistant Secretary of State for Administration and as coordinator of the merger of the Department under the three Executive orders which blended with the Department the wartime agencies operating in the foreign field.

These agencies were the Office of War Information, the intelligence units of the Office of Strategic Services, the Office of Inter-American Affairs, the Foreign Economic Administration, and the Office of Foreign Liquidation Commissioner. There were also certain units of the War Department General Staff concerned with occupation planning.

I stayed in the State Department until January of 1947 and then rejoined General Clay in Germany. He was at that time commander in chief, European Command, and United States Military Governor for Germany. I was in his cabinet with Ambassador Murphy and Ambassador Draper, without portfolio. My special function was administration, reorganization, congressional relations, and special assignments of a policy character.

In that connection and among other assignments I reorganized the military government and the military theater in its common functions and laid the framework for the organization of the Western Republic of Germany and for the shift of control—that is, Allied control—from a military government to the Allied High Commission for Germany.

I then returned to the United States in 1950 and resumed my practice of law and presently I am, in addition to practicing law, serving



on Governor Dewey's commission on city charter revision, without compensation.

Mr. MORRIS. Mr. Panuch, would you tell us precisely when and under what circumstances you went in the service of the State Department?

Mr. PANUCH. In October of 1945 I was asked to come to the Department to conduct the merger and the reorganization of the Department, growing out of the merger, under the Executive order. I believe I furnished you with a copy of my designation.

Mr. MORRIS. Mr. Panuch, I have duplicates of exhibits that we are going to make reference to. Duplicates of exhibits that we are going to make reference to have been put in front of you: "Departmental Designation 300, issued October 24, 1945."

Mr. PANUCH. Yes, sir.

Mr. MORRIS. Will you describe that for us?

Mr. PANUCH. I was asked to prepare a chart for my duties, and Mr. Byrnes said, "Don't make it very long"; and I said, "All I need is about six lines"; and this is the result, and he signed it, and I was in business.

Mr. MORRIS. This is Mr. Byrnes' designation of you as Deputy to the Assistant Secretary for Administration?

Mr. PANUCH. That is right.

Mr. MORRIS. You will—

act as coordinator until such time as the coordination and integration of functions transferred to the Department under Executive Orders 9608, 9621, and 9630 is completed.

Mr. PANUCH. The second point was necessary in order to give me the authority that was required to put the reorganization into effect. That was the deputization of Mr. Byrnes as Secretary of State under Mr. Truman's Executive order. So I was his direct Deputy under the executive power.

Mr. MORRIS. May that go into the record, Mr. Chairman?

The CHAIRMAN. It may go into the record and become a part of the record.

(The document referred to was marked "Exhibit No. 261" and follows:)

#### EXHIBIT No. 261

#### DEPARTMENT OF STATE

Departmental designation 300.

Issued 10-24-45.  
Effective 10-24-45.

#### OFFICE OF THE ASSISTANT SECRETARY FOR ADMINISTRATION (A-R)

1. Mr. J. Anthony Panuch is hereby designated Deputy to the Assistant Secretary for Administration (routing symbol A-R/P).

2. Mr. Panuch will also act as Coordinator until such time as the coordination and integration of functions transferred to the Department under Executive Orders 9608, 9621, and 9630 is completed.

JAMES F. BYRNES.

OCTOBER 24, 1945.

Mr. MORRIS. You mentioned, in the course of describing your Government functions, the reorganization of the State Department during October 1945. Now, what was the precise position you held in connection with that particular reorganization?

Mr. PANUCH. Well, you had to hold two positions really, to effect the reorganization. One was the power under the Executive order,

to deal with the properties, personnel, and functions that were transferred to the Department, and under the administrative order it was necessary that I be the deputy to the chief administrative officer of the Department to implement this into the structure of the Department as it then existed.

Mr. MORRIS. What was the origin of this particular reorganization? How did that get its start?

Mr. PANUCH. That was in the Bureau of the Budget.

Mr. MORRIS. Will you trace the development of that, to the best of your own knowledge?

Mr. PANUCH. You mean these agencies?

Mr. MORRIS. No. You say that the original Executive order was drafted in the Bureau of the Budget?

Mr. PANUCH. Yes.

Mr. MORRIS. Do you know who in the Bureau of the Budget did this?

Mr. PANUCH. No.

Mr. MORRIS. Then how was it transferred over into the State Department?

Mr. PANUCH. Well, the Executive order acted as the transfer to the Department, and after that we simply took over the functions and the properties, the funds and personnel of these agencies; we set up an organization under my jurisdiction, to effect the transfer.

Mr. MORRIS. Now, Mr. Panuch, will you look at the next exhibit you have there? That is the letter from Mr. Truman, dated January 22, 1946.

Mr. PANUCH. January 22; Yes, sir.

Mr. MORRIS. What is that, Mr. Panuch?

Mr. PANUCH. That is the directive signed by President Truman, setting up the National Intelligence Authority, and under it the Central Intelligence Group, under the headship of Gen. Hoyt Vandenberg, taking over Central Intelligence operations that could not be performed by the agencies of the Government having their own intelligence units, and that is the predecessor of the present statutory Central Intelligence Agency.

Mr. MORRIS. May that go into the record?

The CHAIRMAN. It may go into the record and become a part of the record?

(The document referred to was marked "Exhibit No. 262" and follows:)

#### EXHIBIT No. 262

THE WHITE HOUSE,  
Washington, January 22, 1946.

TO THE SECRETARY OF STATE,  
THE SECRETARY OF WAR, AND  
THE SECRETARY OF THE NAVY.

1. It is my desire, and I hereby direct, that all Federal foreign intelligence activities be planned, developed and coordinated so as to assure the most effective accomplishment of the intelligence mission related to the national security. I hereby designated you, together with another person to be named by me as my personal representative, as the National Intelligence Authority to accomplish this purpose.

2. Within the limits of available appropriations, you shall each from time to time assign persons and facilities from your respective Departments, which persons shall collectively form a Central Intelligence Group and shall, under the direction of a Director of Central Intelligence, assist the National Intelligence

Authority. The Director of Central Intelligence shall be designated by me, shall be responsible to the National Intelligence Authority, and shall sit as a nonvoting member thereof.

3. Subject to the existing law, and to the direction and control of the National Intelligence Authority, the Director of Central Intelligence shall:

(a) Accomplish the correlation and evaluation of intelligence relating to the national security, and the appropriate dissemination within the Government of the resulting strategic and national policy intelligence. In so doing, full use shall be made of the staff and facilities of the intelligence agencies of your Departments.

(b) Plan for the coordination of such of the activities of the intelligence agencies of your Departments as relate to the national security and recommend to the National Intelligence Authority the establishment of such overall policies and objectives as will assure the most effective accomplishment of the national intelligence mission.

(c) Perform, for the benefit of said intelligence agencies, such services of common concern as the National Intelligence Authority determines can be more efficiently accomplished centrally.

(d) Perform such other functions and duties related to intelligence affecting the national security as the President and the National Intelligence Authority may from time to time direct.

4. No police, law enforcement or internal security functions shall be exercised under this directive.

5. Such intelligence received by the intelligence agencies of your Departments as may be designated by the National Intelligence Authority shall be freely available to the Director of Central Intelligence for correlation, evaluation or dissemination. To the extent approved by the National Intelligence Authority, the operations of said intelligence agencies shall be open to inspection by the Director of Central Intelligence in connection with planning functions.

6. The existing intelligence agencies of your Departments shall continue to collect, evaluate, correlate and disseminate departmental intelligence.

7. The Director of Central Intelligence shall be advised by an Intelligence Advisory Board consisting of the heads (or their representatives) of the principal military and civilian intelligence agencies of the Government having functions related to national security, as determined by the National Intelligence Authority.

8. Within the scope of existing law and Presidential directives, other departments and agencies of the executive branch of the Federal Government shall furnish such intelligence information relating to the national security as is in their possession, and as the Director of Central Intelligence may from time to time request pursuant to regulations of the National Intelligence Authority.

9. Nothing herein shall be construed to authorize the making of investigations inside the continental limits of the United States and its possessions, except as provided by law and Presidential directives.

10. In the conduct of their activities the National Intelligence Authority and the Director of Central Intelligence shall be responsible for fully protecting intelligence sources and methods.

Sincerely yours,

HARRY TRUMAN.

Mr. MORRIS. Will you look at the next document, "Organization and procedure on agency transfers"?

Mr. PANUCH. Yes, sir.

Mr. MORRIS. Will you identify that document, Mr. Panuch?

Mr. PANUCH. That was a document which I issued over my signature and which set up the blueprint of the reorganization which was to handle the transfer and the methods of procedure in effecting the transfer of the agencies put into the State Department by Executive order.

That has a chart, incidentally, sir, of the agencies affected.

Mr. MORRIS. Mr. Chairman, may those two documents go into the record?

The CHAIRMAN. The first document is already in. The second document may go into the record and become a part of the record.

(The document referred to was marked "Exhibit No. 263" and follows:)

# EXHIBIT No. 263

## DEPARTMENT OF STATE

Administrative Instruction, Coordinator 1.

Issued 10-26-45.

Effective 10-24-45.

### ORGANIZATION AND PROCEDURE ON AGENCY TRANSFERS

#### *Purpose*

The purpose of this Instruction is to establish the requisite machinery and appropriate procedures to accomplish the transfer to the State Department pursuant to Executive Orders Nos. 9608, 9621, and 9630 of certain functions, personnel, funds, and equipment of—

Office of Strategic Services

Office of War Information

Office of Inter-American Affairs

Foreign Economic Administration

Army and Navy Liquidation Commission

1. Time: Such transfers shall be completed on or before December 31, 1945.

2. Mission: The Coordinator and the Committees and Groups serving under his direction shall be responsible for:

(a) Proper integration into the Department of the functions, positions, personnel, facilities, and funds transferred pursuant to the respective Executive Orders.

(b) Inventory, evaluation, and allocation among the several Departmental and Foreign Service interests of the budgetary, fiscal personnel, and central service functions, positions, personnel, facilities, and funds of the agencies referred to above.

3. Transfer Organization:

(a) *Coordinator*.—Reporting and responsible to the Assistant Secretary for Administration, the Coordinator shall direct and expedite the transfers referred to above. He shall be assisted by an Executive and an appropriate secretariat.

(b) *Agency Task Groups*.—Responsibility for the gathering and development of all program and administrative data pertinent to the transfers shall be assigned on an agency basis to three specialists as follows:

Specialist for OSS

Specialist for OWI—OIAA

Specialist for FEA—ANLC

Each specialist, within his own sphere of responsibility shall:

(i) act as Chairman of an Agency Task Group consisting of representatives of budget, accounts, general services, security, personnel, and foreign service.

(ii) establish appropriate procedures for the systematic and orderly collection and development of all pertinent transfer data.

(iii) assure prompt dissemination of such data among the members of his Task Group.

(iv) report and be responsible to the Coordinator.

(v) "follow up" action with the offices responsible for action.

(vi) working out and recommending means of integration.

(c) *Functional Groups*.—The data developed by the several Task Groups shall be coordinated on a functional basis and translated into Departmental and Foreign Service action by the chiefs of the following elements of their designees:

Budget and Finance

Personnel

Central Services

Foreign Service

Security

Each divisional chief or his designee shall:

(i) act as Chairman of a functional group consisting of the appropriate Departmental and Foreign Service specialists and their opposite numbers in the agencies whose functions are being transferred.

(ii) maintain current liaison with appropriate functional specialists on the several Task Groups.

(iii) develop requirements of the Departmental and Foreign Service interests for program and administrative data and prescribe the form and detail in which it will be presented.

(iv) each designee must be fully authorized to act for his organization.

(d) *Steering Committee.*—The work of the Functional and Task Groups shall be correlated by a Steering Committee under the chairmanship of the Coordinator. The Steering Committee shall consist of the Chairman of the Task and Functional Groups.

#### 4. Miscellaneous:

(a) The chairman of the Steering Committee shall prescribe its rules of conduct, regulate its procedures and fix the time and place of its meetings.

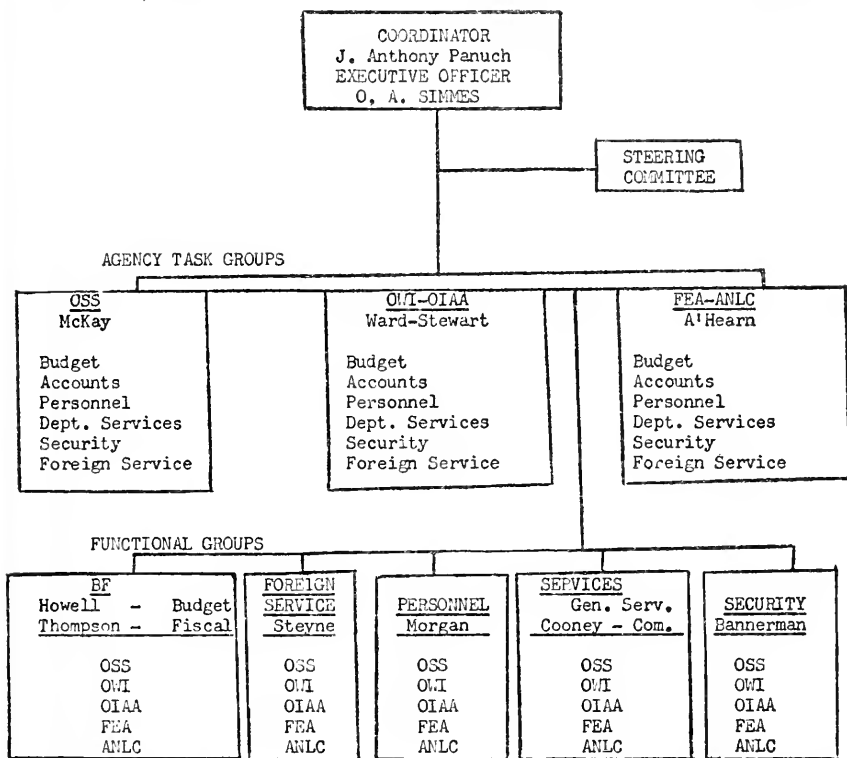
(b) Procedures of the several Task and Functional Groups shall be fixed by the Chairman of each group. Except where considerations of flexibility appear to be paramount, such procedures should follow the same general pattern.

(c) Reports of group chairmen to the Coordinator shall be filed with the Executive who shall act as Executive Secretary of the Steering Committee.

(d) Designations of personnel to carry out the plan of transfer above outlined are hereby made in Schedule A attached. Changes in such designation may be made at any time by the Coordinator.

J. ANTHONY PANUCH, *Coordinator.*

OCTOBER 24, 1945.



Mr. MORRIS. Mr. Panuch, will you tell us to the best of your ability—and drawing on your own first-hand experiences, how this Executive order was executed whereby the agencies that we have been discussing, were transferred over to the Department of State?

Mr. PANUCH. Do you mean to tell you what happened?

Mr. MORRIS. Yes. Tell us exactly what happened, drawing on your own personal experience and describing in as full detail as possible.

MR. PANUCH. Well, prior to the war the State Department had been a policy agency exclusively and with a limited grouping of economic and cultural and other functions. During the war it was necessary to build up other agencies to carry on operational functions in the field of foreign affairs, which were not directly policy functions, and for that purpose many agencies were organized, and the best examples of that in the economic field is the Board of Economic Warfare which subsequently became the Foreign Economic Administration, the Office of Lend-Lease Administration, which handled loans and the financing of our allies' mobilizations; the Offices of Strategic Services, which handled strategic services parallel to army operations, resistance movements, and secret intelligence, the Office of War Information which handled propaganda, and the Office of Inter-American Affairs, under Nelson Rockefeller, which handled cultural relations with the Latin American countries, and, toward the end of the war, the Office of Foreign Liquidation was set up under Mr. McCabe, who handled the disposal of foreign surplus in theaters of war.

MR. MORRIS. As I understand it, all of these organizations which you just described, were being incorporated into and transferred into the Department of State?

MR. PANUCH. With one exception, the strategic units of the Office of Strategic Services, which remained in the War Department, under direct control of Assistant Secretary Patterson.

MR. MORRIS. One branch was not transferred, therefore?

MR. PANUCH. Secret service unit of OSS was not transferred.

MR. MORRIS. What was transferred to the State Department?

MR. PANUCH. All intelligence.

MR. MORRIS. Now, Mr. Chairman, we have had quite a few witnesses from all these various agencies at various times, and I think that since we have at this time a qualified witness present, it would be good if we got the genesis of each of these agencies.

The CHAIRMAN. Proceed.

MR. MORRIS. I wonder if you could give us a genesis of the Office of War Information?

MR. PANUCH. I think the Office of War Information——

MR. MORRIS. When you came into the State Department, it was in existence and about to be transferred to the State Department, is that right?

MR. PANUCH. That is correct.

MR. MORRIS. Could you tell us to the best of your ability where that particular agency had its origin?

MR. PANUCH. This is about my best recollection, sir, and this is all a matter of record in the Federal Register, but I believe the Office of War Information was the logical development of the Office of Facts and Figures with the superimposition of radio broadcasting and requisite underlying intelligence, and foreign operations. I believe the Office of Strategic Services was the direct outgrowth of what started out to be the Office of Information collection or coordination, OIC, they called it.

The Office of Foreign Economic Administration——

MR. MORRIS. That is the FEA?

MR. PANUCH. FEA started out originally as the Office of Export Control. That was then taken over by the Board of Economic War-

fare in, I think, December 1941 and the Board of Economic Warfare was a sort of an inter-Cabinet agency for economic matters.

The Office of Lend-Lease Administration came into the Foreign Economic Administration, I think, in 1943 or early 1944. That was the time when Mr. Wallace stepped out and was replaced by Mr. Crowley as the Administrator of FEA.

Mr. MORRIS. Who was the head of the FEA at the time you were undertaking this reorganization?

Mr. PANUCH. You mean when I took in the State Department?

Mr. MORRIS. Yes.

Mr. PANUCH. It had no head; just bodies.

Mr. MORRIS. Just before it went in, who was the head at that time?

Mr. PANUCH. I don't recollect.

Mr. MORRIS. What was Mr. Crowley's position at that time?

Mr. PANUCH. Mr. Crowley was the Administrator of Foreign Economic Administration.

Mr. MORRIS. Who was his Deputy?

Mr. PANUCH. I think Mr. Lauchlin Currie.

Senator WELKER. Who?

Mr. PANUCH. Mr. Lauchlin Currie.

Mr. MORRIS. Will you tell us, Mr. Panuch, how this reorganization became effective?

Mr. PANUCH. It added to the Department functions which had theretofore never been in the Department; specifically, propaganda functions in the Office of War Information, which were then blended with an expansion of cultural relations in one group which was headed by Mr. Assistant Secretary Benton, and that combined and had under its jurisdiction cultural affairs, foreign information, and Voice broadcasting to foreign countries. It is in effect the same setup that is in the State Department, or was in the State Department prior to this administration, and is now being transferred out.

The Office of Strategic Services brought in about 1,000 people from their Research and Intelligence Branch, and they were to be used under the President's order to create the nucleus of the centralized intelligence operation. Subsequently the President issued a directive to Secretary Byrnes, directing him to undertake the coordination of all foreign intelligence under the leadership of the State Department. I believe that that was on September 20, 1945.

At the same time there was before the President a proposed directive for setting up a Central Intelligence Agency, which was submitted by the Joint Chiefs of Staff, and the Department then had the problem of advising the Secretary of State and the President as to what combination or correlation of these two entirely different concepts of mobilizing foreign intelligence at the national level should be blended into a forward operation.

The Office of Inter-American Affairs——

Mr. MORRIS. Just 1 minute.

Senator McCarran, this is Mr. Panuch, who was appointed by Secretary Byrnes in 1945 as the Deputy Assistant Secretary for Administration, and who was the officer in charge of effecting the reorganization that brought the Office of Strategic Services, or at least one portion of that organization; the Office of War Information; the Office of Inter-American Affairs; and the Foreign Economic Administration

into the State Department; and he has been describing to the committee the steps and the processes by which that transfer was accomplished. Please continue.

Mr. PANUCH. The Foreign Economic Administration, sir, involved a strengthening of the economic groupings in the State Department from these people who had had actual operational experience in the Board of Economic Warfare, in the Foreign Economic Administration, and they were to be used in connection with the Economic Social Council of the United Nations, and the work of policy development in the Department with the U. N. specialized agencies, and, of course, the Secretariat of the U. N.

The Office of Inter-American Affairs was to be integrated into the cultural elements of the public affairs portfolio on a Latin American basis, and the group in the Office of Foreign Liquidation was supposed to set up policy criteria for the disposal of surpluses in the theaters of war, which were then to be handled with the Army units there in existence, under policy guidance of the State Department.

Mr. MORRIS. Mr. Panuch, to your knowledge, and drawing on your own experience, were there any political changes to be wrought by this reorganization?

Mr. PANUCH. Well, it was a thoroughgoing reorganization of the Department by the addition of functions which necessarily changed the political or rather the policy structure of the Department.

The Intelligence directive to set up coordinated intelligence on a national level in a centralized unit of the Department presented a problem as to whether your tail would be wagging your dog; in other words, whether the intelligence units, coming in from these agencies, which would be the focal core of your national intelligence organization, would, by a preemption of high-level estimates which go to the Secretary of State and the President and the National Security Council, be really exercising an influence over policy beyond that which was traditionally exercised by the Foreign Service of the United States, through the geographic divisions of the Department.

Mr. MORRIS. Now, was one of the purposes of this to place all foreign-affairs activities directly under the control of the Secretary of State?

Mr. PANUCH. I beg your pardon?

Mr. MORRIS. Was one of the purposes of this reorganization to place all foreign-affairs activities under the State Department?

Mr. PANUCH. That was the stated purpose of the merger.

Mr. MORRIS. I see. And you have so informed the committee, in executive session, of that fact. Did you understand my use of the word "political" there?

Mr. PANUCH. I understood it in the sense of policy.

Mr. MORRIS. That is right.

Now, do you know of plans of Gen. Otto Nelson to merge the Department and Foreign Service at approximately that time?

Mr. PANUCH. I don't know whether it originated with General Nelson. I do know that there was considerable activity and support in the Bureau of the Budget for legislation which would, to a very great extent, blend the incoming personnel and the personnel who were in the Department and were not members of the Foreign Service,



as such, into new Career Service. That was one of the great issues of this merger.

Mr. MORRIS. What happened to that?

Mr. PANUCH. I, with Mr. Russell's consent——

Mr. MORRIS. Who was Mr. Russell?

Mr. PANUCH. Mr. Russell was my immediate superior, Assistant Secretary for Administration, and I was his Deputy.

The CHAIRMAN. Mr. Panuch, we have had testimony from various sources, supported by a State Department publication on postwar planning, that the postwar structure of the Department had been envisioned for several years, and that Alger Hiss moved into this area in 1944.

At the time of your entrance into the State Department, what was Mr. Hiss doing?

Mr. PANUCH. Mr. Hiss was deputy to Mr. Pasvolsky, who was a special assistant in charge of the International Security Organization, and I think the chart will show the precise title that Mr. Pasvolsky's portfolio had. But the agency under Mr. Pasvolsky which was in Mr. Hiss' charge was the Office of Special Political Affairs, and that had policy jurisdiction of all international organization and the logistic and policy support of our activities in international organizations, which specifically were the United Nations, the Specialized Agencies, and the American complement of personnel in the United Nations' Secretariat.

The CHAIRMAN. What positions did Alger Hiss hold in the State Department while you were the Deputy Assistant Secretary of State?

Mr. PANUCH. Mr. Hiss held the position of Director of the Office of Special Political Affairs.

The CHAIRMAN. Did you ever become suspicious of Alger Hiss?

Mr. PANUCH. Mr. Chairman, one of the elements in my jurisdiction was the security operation of the Department, and naturally we had a file on Alger Hiss, and the file showed a good deal of the matters that came out before the Un-American Affairs Committee [sic] in 1948, and subsequently came out at the trial.

The CHAIRMAN. When did you become suspicious of him?

Mr. PANUCH. I was always suspicious of Alger Hiss.

The CHAIRMAN. You were always suspicious of him? What was his role in the United Nations?

Mr. PANUCH. Well, he was the chief organizational and policy planner of our activities in the United Nations Organization.

The CHAIRMAN. Mr. Mandel, I have here a memorandum for Mr. Russell, whom I believe you testified, Mr. Panuch, was your immediate superior?

Mr. PANUCH. Yes.

The CHAIRMAN. It is marked "Confidential." I would like for you to read this into the record in reference to the question just asked Mr. Panuch.

Mr. MORRIS. This is a memorandum from Mr. Panuch for Mr. Russell, dated March 7, 1946, and I think that you should have your copy directly in front of you, Mr. Panuch.

Mr. Mandel, would you read that into the record?

Senator McCARRAN. This is from what file?

Mr. MORRIS. Mr. Panuch, will you identify this document?

Mr. PANUCH. This is a memorandum which I wrote on March 7, 1946, to Mr. Russell, and the subject is Hiss Plan for Reorganization of the State Department.

Mr. MORRIS. Now, this is your own memorandum?

Mr. PANUCH. This is my own memorandum.

Mr. MORRIS. And these other documents that we have put into the record are documents that you have supplied to the committee, are they not?

Mr. PANUCH. Yes.

Mr. MORRIS. And they are official documents?

Mr. PANUCH. They are my stayback files; yes.

Mr. MORRIS. Mr. Mandel, will you read at least the first part of that into the record, please?

Mr. MANDEL (reading) :

[Confidential]

MARCH 7, 1946.

Memorandum for Mr. Russell.

Subject: Hiss Plan for Reorganization of the State Department.

1. I have read with mingled feelings of admiration and horror the outline of the above, as revealed in Mr. Pasvolsky's memorandum to the Secretary of State March 5, 1946.

Mr. MORRIS. What was that memorandum to the Secretary of State of March 5, 1946?

Mr. PANUCH. As I have told you, Mr. Morris, I don't have a copy of that, but my very clear recollection—

Mr. MORRIS. That is what we want—your recollection of that memorandum.

Mr. PANUCH. My very clear recollection of that was that it involved in essence the transfer of Mr. Hiss' Office of Special Political Affairs from the level where it was with the other political and economic offices directly into the Office of the Under Secretary of State.

Mr. MORRIS. That is very interesting. Will you develop that just a bit more, Mr. Panuch, for us?

Mr. PANUCH. If I had a chart—it is enormously complex, you know.

Mr. MORRIS. I know that you are now testifying from your memory of the Pasvolsky memorandum.

Mr. PANUCH. You want the full effect of the proposal?

Mr. MORRIS. No; just describe the nature of the transfer that was being contemplated.

Mr. PANUCH. Well, as you know, the Department of State operates through its political offices, its economic offices, and its cultural affairs and intelligence offices, which were all at one level of authority.

Mr. Hiss' Office of Special Political Affairs, in proposing policy matters for the United Nations, would be required to coordinate with these geographic and other offices when it was at its level that it was prior to this memorandum or had this memorandum of his gone into effect.

Now, if it went into the Office of the Under Secretary of State, while as a matter of good administration he might have sought the advice of other officials of the Department, or other duly constituted officials of the Department as to coordination of his policy suggestions, it would not be required of him as a matter of jurisdiction, because, if you will notice in the plan, the Nelson plan there, the jurisdiction of the Office of Special Political Affairs was virtually exclusive in connection with

international organization and international security organization. If you put that at the Secretary's level, it would be exclusive in fact.

Senator McCARRAN. Giving him exclusive powers?

Mr. PANUCH. Yes, sir.

Senator McCARRAN. And that plan was set up by Hiss?

Mr. PANUCH. I don't know who set up that. That was prior to my entry into the Department. It was a matter of record and a part of our jurisdictional setup when I entered.

The CHAIRMAN. Go ahead with the memorandum.

Mr. MANDEL (reading):

The plan's simplicity of design is admirable; its concept is grandiose. If accomplished, it will make Colonel McCormack's plans for the reorganization of the Department under the cloak of organizing "intelligence" appear provincial and myopic by comparison.

2. In examining the plan and assessing its implications in terms of control, it should be remembered that Dr. Hiss exercises Svengali-like influence over the mental processes of Junior Stettinius, the United States Delegate to UNO. Through Mr. Rothwell, his designee for the post of Secretary-General of the United States Delegation to UNO, Dr. Hiss will enjoy "working control" over the flow of papers in and out of the Secretariat of the United States group. The proposed plan would establish a similar control setup within the State Department, where Dr. Hiss already wields considerable influence with the counselor on UNO matters. This would be effected by the simple device of establishing a new Office for United Nations Affairs, which would report directly to the Under Secretary. Under the plan, the Director of this new office (Dr. Hiss) would be the Under Secretary's Deputy for United Nations Affairs.

3. If this ambitious project should be approved, it is obvious that the operations of the new office, as the "initiating and coordinating center within the Department" for UNO affairs, will, for all practical purposes, supplant and supersede the functions of the geographic and economic offices of the Department. In such event, the question arises to what extent the de jure policy output of the Department will be diluted by the day-to-day de facto policy product as established by Mr. Stettinius' counterpart of the State Department, functioning within the UNO orbit of influence in New York. If Dr. Hiss should succeed in causing Dr. Appleby to be designated as the UNO Assistant Secretary General for Administration, the Hiss group will have achieved infiltration in, or control of, four critically strategic points, I. e., (a) UNO itself (Feller Appleby) (b) the United States Delegation (Stettinius and Rothwell) (c) State Department (Hiss, Ross, OUNOA), and (d) Bureau of the Budget (Harold Smith, Schwarzwald).

The CHAIRMAN. Mr. Panuch, who else would have access to the security files besides you?

Mr. PANUCH. I didn't have direct access to the security files. That was handled by the divisions under my jurisdiction. One at that time was the office of personnel investigations, and the other was what was then known as the control office. That was under the jurisdiction of Mr. Frederick Lyon; and the security officer, acting directly under Mr. Lyon at that time, was Mr. Bannerman.

The CHAIRMAN. What were the Hiss proposals with respect to SPA?

Mr. PANUCH. They were simply organizational proposals.

The CHAIRMAN. Where did you see them first?

Mr. PANUCH. They came in to Mr. Russell's office for a concurrence, and naturally, they came to me and this memorandum was the result.

The CHAIRMAN. Was your memorandum helpful in stopping this project?

Mr. PANUCH. My memorandum killed it deadlier than a door nail.

The CHAIRMAN. What moved you, Mr. Panuch, to take this action?

Mr. PANUCH. I think, sir, that the memorandum speaks for itself. At that time a very great issue in the State Department—and this

is an organizational issue which has policy implications—was whether our policy formulation process would initiate with our foreign service officers who had been trained and were experienced in foreign affairs, or whether it would go into the hands of people who had no such training, departmental employees, who staffed Hiss' office of special political affairs, or its successor under his reorganization proposal.

The CHAIRMAN. Mr. Panuch, did you ever see a memorandum by Donald Hiss, proposing consolidation of economic functions?

Mr. PANUCH. No, sir; I did not—but that was the policy of the Bureau of the Budget with respect to State Department economic functions, and that was in controversy while I was there.

Senator WELKER. Mr. Chairman, may I have a question?

The CHAIRMAN. Senator Welker.

Senator WELKER. How did the reorganization which you have described, Mr. Panuch, seek to change the level of control in the various policy agencies?

Mr. PANUCH. Senator, if I may offer a correction before answering your question as to semantics, I know in Government, everybody talks about levels, but I would like to say "pattern."

Senator WELKER. Let us call it "pattern."

Mr. PANUCH. If I may, sir, I think the pattern, the essential part of the pattern was to shift your policy formulation, the essential basis on which your ultimate policy estimates are made, into a central intelligence group which would overbalance your policy offices of the Department. In that way, while there would be no change in level, there would be a change in pattern impetus, control and direction. The other change, of course, was the historic change which was initiated by our entry into the United Nations Organization, which placed a large part of our foreign policy on an international basis rather than on the traditional country-to-country or bilateral basis. So that at the end of the war you would have had three groupings of policy formulation: Your international work in the United Nations; the liquidation of the war through the Council of Foreign Ministers, involving the Big Four; and lately, diplomatic relations with countries which were neither in the United Nations nor in the Council of Foreign Ministers group; for instance, Franco's Spain.

Senator WELKER. And I am safe in the conclusion that it brought the intelligence and research functions from OSS and the propaganda from OWI, and I think you have stated, the economic functions and the economic intelligence from FEA?

Mr. PANUCH. Yes, sir.

Senator WELKER. Senator McCarran has suggested that you adjust the microphone; that he is having trouble in getting your answers.

Senator McCARRAN. He is just shaking his head, not answering.

The CHAIRMAN. The reporter does not get the nods, so just answer.

Senator WELKER. Was there an attempt to reorganize all intelligence matters which would have gone further than the ones actually effected?

Mr. PANUCH. Yes. If I gather by that present question—

Senator WELKER. That would go back to the Presidential order of September 1945, that interim arrangement?

Mr. PANUCH. Yes. The Presidential order charged the Secretary of State with setting up a strong Central Intelligence Unit within the State Department. That immediately created the issue that I spoke of, as to where your balance of policy would be. The second element of the directive was to coordinate the Central Intelligence operations of all other agencies. Now, of course, one of the things involved was secret foreign operations, and I felt that it was not proper for the State Department to indulge in any clandestine foreign operations, that that was properly a matter for a centralized agency. I took the position that that should be outside of the Department, and subsequently President Truman and Admiral Leahy and Secretary Byrnes agreed with that position, and they put it into Central Intelligence Authority, which is the predecessor of the CIA.

Senator WELKER. Mr. Panuch, you are giving us some very valuable information and testimony here.

Now, I will ask you this question:

Who were the people who tried to bring about this further change?

Mr. PANUCH. You mean in the intelligence field, sir?

Well, the plan was the plan of Mr. George Schwarzwald in the Bureau of the Budget, and they induced Mr. Alfred McCormack, who had been Colonel McCormack in the Military Intelligence Service in the War Department, to head up the intelligence operation in the State Department as Special Assistant to the Secretary for Intelligence. He had as his deputy, I believe, a Mr. Finan, who was from the Bureau of the Budget.

Senator McCARRAN. How do you spell that name?

Mr. PANUCH. F-i-n-a-n

Senator WELKER. Mr. Panuch, did the establishment of the NIA in January of 1946 cause the defeat of this plan?

Mr. PANUCH. You mean the Central Intelligence Agency?

Senator WELKER. Yes.

Mr. PANUCH. Yes, sir; it did.

Senator WELKER. Was this plan ever reinstated?

Mr. PANUCH. No, sir.

Mr. MORRIS. Mr. Chairman, at this point I would like to offer for the record some documents here which relate to the testimony that Mr. Panuch will now give, the forthcoming testimony.

The CHAIRMAN. All right.

Mr. MORRIS. Mr. Panuch, will you identify the next document in sequence there?

Mr. PANUCH. Number 5?

Mr. MORRIS. Yes.

Mr. PANUCH. As I have testified, the issue on the intelligence organization was one that was very hotly debated, not only in the Department but in the press, and the usual psychological warfare and infighting took place, and this was argued on numerous occasions in the staff committee presided over by the Secretary, with as much formality as a Supreme Court argument.

I have before me the exhibit 5, a brief of Mr. McCormack's argument in support of the plan.

Mr. MORRIS. That is an official document?

Mr. PANUCH. That is a copy of an official document of the Department.

Mr. MORRIS. Mr. Chairman, may that particular document go into the record?

The CHAIRMAN. It may go into the record and become a part of the record.

(The document referred to was marked "Exhibit No. 264" and follows:)

#### EXHIBIT No. 264

SC-185, FEBRUARY 12, 1946.

#### SECRETARY'S STAFF COMMITTEE—PERMANENT LOCATION AND ORGANIZATION OF THE OFFICE OF RESEARCH AND INTELLIGENCE

##### THE PROBLEM

The Departmental Order attached as Annex I established the Office of Research and Intelligence on January 1, 1946, but provided that the Office "is established temporarily for the period January 1 through February 28, 1948," and that a final decision on the ultimate location and organization of that Office would be made by the Secretary on or before March 1, 1946. This paper is intended to be the basis of recommendations to the Secretary as to what the decision should be.

##### RECOMMENDATION

It is recommended:

(1) That the location of the Office of Research and Intelligence remain under the Special Assistant for Research and Intelligence.

(2) That the Office of Research and Intelligence remain organized as at present.

(3) That the intelligence research functions of the Division of American Republics Analysis and Liaison be transferred to the Division of American Republics Intelligence.

##### BACKGROUND

1. A chronological statement of the developments leading up to the present issue is attached as Annex II and is summarized below.

2. The Department's intelligence program, upon which was based the October 1, 1945, transfer to the Department of the Research and Analysis Branch and the Presentation Branch of the former OSS, was predicated upon the establishment under a Special Assistant to the Secretary of a single organization which would "be responsible for the collection, evaluation and dissemination of all information regarding foreign nations." The Secretary specifically approved the creation of such an organization.

3. One of the stated objectives of the Department in thus centralizing its intelligence activities was to "free the operating offices of the intelligence function and thus relieve them of a very considerable burden". This was to be one of the "first steps in the reorganization of the Department to meet its expanding responsibilities."

4. The last quoted statement was contained in a press release by the Acting Secretary, announcing the appointment of a special assistant for Research and Intelligence. The press release also stated:

"There will also be transferred to the permanent offices, under (the Special Assistant's) direction, appropriate units already existing within the present structure of the Department of State."

5. Upon taking office the Special Assistant for Research and Intelligence was directed by the Acting Secretary to conduct a survey of OSS and Departmental activities, in order to arrive at a program which would

"Coordinate the units within OSS which we wish to retain and the units of the Department of State now participating in intelligence activities, so that, by January 1, all intelligence activities within the Department will be under your own control \* \* \*"

6. The directive further stated:

"The steps which I have directed in this memorandum will have the effect of uniting and consolidating the intelligence activities of this Department."

7. Not until October 27, 1945, was there evidence of a difference of opinion within the Department as to the method of organizing its intelligence activities. At that time, and on several subsequent occasions, the proposal has been made

that the best way of equipping the functional and geographic offices to meet their "expanding responsibilities" is not to free them of the intelligence function but to enlarge the staff of each of them by adding a unit to perform the intelligence research work affecting their respective areas or fields.

8. There has been no disagreement regarding the centralization of intelligence collection facilities and certain intelligence research facilities. There are, however, various opinions regarding the extent to which the research functions assigned by the Departmental Order (Annex I) to the regional intelligence divisions should be centralized.

#### ISSUE NOW PRESENTED

1. The chart attached as Annex III is intended to show the steps involved in production of an intelligence report. It also shows the present organization of the Offices under the Special Assistant for Research and Intelligence.

2. An alternative form of organization has been proposed by the Geographic Offices and is set forth in the memorandum attached as Annex IV. Briefly, that proposal would divide up the personnel of the Office of Research Intelligence divisions and distribute most of them to the geographic offices, substituting for ORI an "Office of Research Coordination" with the following functions:

(a) To establish and maintain standards of research and analysis throughout the Department.

(b) To formulate, in consultation with geographic offices, a Departmental program for basic research, and to coordinate and stimulate its execution.

(c) To organize and supervise cooperative projects in research cutting across the lines of the geographic offices.

(d) To maintain a central clearing house of information regarding research studies prepared or planned anywhere in the Department.

(e) To maintain liaison with other agencies of the Government, and with private institutions, for the purpose of utilizing all possible research resources to meet the Department's needs.

(f) To conduct specialized research on economic or other technical subjects.

#### ARGUMENT

1. The first argument for separating the intelligence function completely from operating and policy functions is one of principle. Intelligence research is fact finding. It requires independence and integrity of judgment, perspective and objectivity—qualities that thrive only in the most favorable environment.

2. Separation of the fact finder from involvement in policies and objectives is not only a firm and time-honored doctrine of those organizations having most experience in the conscious pursuit of intelligence work—the Armed Forces of this and other nations; it is also fundamental in our institutions of government. The administration of justice depends on fact finding devices, supported by a complex of rules and practices (such as those governing the selection and functioning of juries) which aim to prevent the fact finders from the influence, conscious or unconscious, of policy, prejudice or any interest in the result of the fact-finding process.

3. In cases where the fact finder has additional functions, as with the equity judge, the law demands a rigid separation of the functions and a clear statement of the determinations of fact, and provides an impartial review of the findings on appeal. In modern administrative law, the most serious and controversial issues turn on the need for protecting (and the great difficulty of protecting) the fact finder from the bias, generally unconscious, that comes from commitments to policy or an interest in objectives.

4. Students of government have frequently dealt with this subject. The danger of combining research functions with operational and policy functions was discussed by Walter Lippmann long ago, in his *Public Opinion*, and the following conclusion was stated:

"The only institutional safeguard is to separate as absolutely as it is possible to do so the staff which investigates. The two should be parallel but quite distinct bodies of men, recreated differently, paid if possible from separate funds, responsible to different heads, intrinsically uninterested in each other's personal success."

5. In England the Committee on Ministers' Powers, in its comprehensive report published shortly before the war, arrived at the same general conclusion and laid great stress on the need for independent fact finding. The committee argued that

a high-minded man could make an impartial determination in the face of a pecuniary interest but that he could rarely do so in the face of a sincere conviction on policy.

6. During the recent agitation for a central inter-departmental intelligence agency, it was frequently stated that an independent, nondepartmental intelligence organization is required because the departments are not impartial reporters of facts but are influenced by their individual objectives and policies, and tend to report or withhold information, to emphasize or deemphasize it, according to whether it does or does not serve departmental purposes.

7. Whether that charge be valid or not, it is submitted that independence of thought and an unbiased approach to facts will be more likely, according to common experience, if the intelligence unit confines itself to the intelligence function and is directed by officers who also confine themselves to that function.

8. Independent of thought and an unbiased approach to facts are not qualities that an organization acquires merely by willing to have them. Even in a group devoted wholly to factual research, the specialist will tend to overrate the importance of his own subject, to get committed to conclusions, and to acquire preferences, prejudices, and doctrines. To combat and neutralize those tendencies is a function of supervision, a continuing function that must be performed day in and day out, by whatever organizational devices are appropriate, including establishment of work priorities, allocation of personnel to specific tasks, and provision of adequate means for review of studies and reports for objectivity, perspective, and balance, as well as factual content. Effective supervision along those lines would be impossible in an organization broken up and divided among four or more separate offices.

9. That leads to the next argument, which is that the geographic offices are not qualified by training or experience to operate or supervise intelligence research work. Supervision of research on any scale is a professional job. On the scale required to meet this Department's needs it is a professional job for a highly skilled supervisory organization, and not merely for an individual. The geographic Intelligence Divisions are not self-contained units that can be shifted around in the Department without impairing their effectiveness. They are directed from the office of the Director of ORI, which passes on their work before it comes out, ties the several divisions together, insures that all appropriate regional and functional specialists have contributed to the result, and in general performs the functions of management. The geographic offices are not equipped, and cannot equip themselves, to perform those functions.

10. But even assuming that research could be supervised adequately in the geographic offices, and that it would produce intelligence unaffected by the policy commitments of those offices, decentralization would still impair the effectiveness of the present organization and be wasteful and inefficient.

11. A centralized Office can provide specialists on subjects of interest to a number of offices in the Department, no one of which could justify their employment in its individual research unit. Centralized control of positions and of assignments of personnel can assure that there is no more than a single specialist or group for each aspect of intelligence. With a single research organization it is possible to establish and maintain clear-cut guides and procedures for distribution of incoming intelligence data and a single library and reference service—indexed collections of documents, maps, photographs, books, etc. With many scattered research units the distribution problem would be exceedingly complex and centralization of reference files would be impracticable.

12. A decentralized organization would be inflexible and slow to respond to emergencies, which under present arrangements are met by promptly shifting personnel to the most urgent work. The proposal of the geographic offices, recognizing that many intelligence problems (if not most of them) go beyond the area or functional responsibility of any one geographic office, provides for an Office of Research Coordination which, among other duties, would "organize and supervise cooperative projects in research cutting across the lines of the geographic offices."

13. But the kind of supervision that is required to meet the objectives stated in the proposal of the geographic offices (including the establishment and maintenance of standards of research and analysis throughout the Department) involve command—day-to-day supervision of the personnel engaged in research and analysis. It involves hiring and firing; determining what personnel will do what jobs, what kind and amount of direction they will have and what checks their work will be subjected to. Without control of personnel, the establishment of standards, the coordination of a research program, the supervision of projects cutting across geographic lines could not be performed effectively.



14. An analysis of the work done on political problems by ORI and predecessor organizations would demonstrate that in one important respect the typical project goes beyond the field of the geographic office, in that economic as well as political subjects are involved. Dismemberment of the research organization would increase the difficulty of studying and presenting all aspects of a problem. Centralization not only makes that easier but it provides a unifying influence as between the Political and Economic Offices within the Department, giving them a common body of knowledge on subjects of mutual interest.

15. Not only does ORI serve the economic, cultural, and information offices and the Office of Special Political Affairs, as well as the geographic offices, but in two other respects its interests go beyond the immediate concerns of the geographic offices. First, ORI is interested in long-term basic intelligence, which the geographic offices do not ordinarily require in their day-to-day operations; second, it has the function of keeping track of specialized intelligence (such as military intelligence) to a sufficient degree to keep the Department informed and to assess the reliability of what the specialized intelligence organizations turn out.

16. The organization now known as ORI has functioned as a unit for over 5 years. While it is divided for administrative purposes into geographic and functional parts, those parts are interdependent and closely linked together. They share a common flow of incoming information, common files and common objectives and standards. Cross-divisional project teams are employed on a large part of the work. The organization has an esprit de corps which is a considerable factor in its efficiency, and which has enabled it to survive the innumerable difficulties of the last six months.

17. To break up such an organization, upon the assumption that its component parts would still function after dismemberment, is at least dangerous. Apart from loss of efficiency from other causes, it is believed that many of the key personnel, whom it has been hard to retain because of competing offers of university jobs with a high degree of security, would quit. The opinion among them seems to be unanimous that to dismember the organization would be to destroy it.

18. It is important that the issue be decided promptly, since the present state of suspense has caused serious moral problems. It has also caused two of the best men in the immediate office of the Special Assistant for Research and Intelligence to announce their resignations, effective within the next three months. It has seriously impaired our recruiting program. A consultant for the Federal Reserve Board, one of the best informed men on Russian economics, had agreed to join ORI but now refuses to do so until assured that the organization will survive as a unit. In a similar position are four very able intelligence officers who have been or who are being discharged from the Army, all of whom had previously agreed to come into the Department, at the sacrifice of exceptionally good opportunities in private employment. One of these men has now been lost for good, having been appointed to public office in his home state. ORI reports that its program for recruiting qualified junior research personnel is at a standstill because it can give no assurance of permanency of tenure.

19. In considering the immediate problem, it should be borne in mind that setting up an adequately staffed office of Special Assistant for Research and Intelligence and putting the two subordinate Offices and their divisions on a permanent basis are only the first steps toward the Department's proper objectives in the field of foreign intelligence. The problem of correlating the Departmental intelligence organization with the establishments of the Foreign Service abroad or for developing a reporting program to meet the intelligence needs of the Department have not yet been touched. No adequate machinery has even been set up within the Department for insuring that the Department's foreign information will flow into ORI. No real progress has been made toward coordinating the Department's intelligence activities with those of other agencies, although that job will now become urgent by reason of the creation of the Central Intelligence Group.

20. Further, although the original directive to the Special Assistant called for creation of an Office of Security Intelligence (counterintelligence), no steps in that direction have been taken, because of successful passive resistance within the Department. As a result, in the discussions which are about to begin with the Central Intelligence Group on the postwar organization of security intelligence, the Department is in the position of not having studied the problems and therefore having no policy, though the matter is of special interest because, outside occupied areas, the security intelligence personnel (whether X-2 or FBI) operate under State Department cover.

21. This Department unsuccessfully advanced a proposal for coordination of foreign intelligence activities under a plan that would have given the Department a role in foreign intelligence, consistent with its responsibility for the conduct of foreign affairs. Possibly it is fortunate that the proposal was not accepted, because at this time the Department is not equipped to assume a primary role in foreign intelligence. If, however, it is a sound proposition that the Department of State is the appropriate coordinating agency in all matters concerning foreign affairs, including the collection of information and the dissemination of foreign intelligence (most especially the information on which the President takes action), then the Department should fit itself to assume that role. In order to do that, it must not only preserve an effective research unit, and give it more support than it has received to date, but it must go on to develop a reporting program for its offices abroad that will meet the intelligence needs of the Department, including assignment to the field of research and specialized reporting personnel when they are required. It must also participate fully in the development of a governmentwide intelligence program and take its proper share of the responsibilities under that program.

22. It is submitted that the proposal to dismember the research organization is unsound in principle: that it would result in waste and inefficiency: and that it would defeat the objective of putting the State Department in its proper role in foreign intelligence.

23. If the present organization of ORI is to continue, there is one conflict of jurisdiction within the Department to be ironed out, viz. between the Division of American Republics Analysis and Liaison and the Division of American Republics Intelligence. The former division, under ARA, purports to do intelligence work falling within the description of that assigned to ORI. This appears to be the only situation of its kind within the Department and, in the interest of orderly organization, should be eliminated if the present organization of ORI is continued.

(Annex I omitted.)

## ANNEX II. CHRONOLOGICAL HISTORY OF DEVELOPMENTS IN CONNECTION WITH PLANS FOR ORGANIZING INTELLIGENCE RESEARCH IN THE DEPARTMENT

1. On September 20, 1945, the President issued Executive Order No. 9621, effective October 1, 1945, which—  
 “transferred to and consolidated in an Interim Research and Intelligence Service, which is hereby established in the Department of State, (a) the functions of the Research and Analysis Branch and of the Presentation Branch of the Office of Strategic Services \* \* \* excluding such functions performed within the countries of Germany and Austria \* \* \*.”

The Order further provided:

“The Interim Research and Intelligence Service shall be abolished as of the close of business December 31, 1945 \* \* \*. Pending such abolition, (a) the Secretary of State may transfer from the said Service to such agencies of the Department of State as he shall designate any function of the Service, (b) the Secretary may curtail the activities carried on by the Service, (c) the head of the Service, who shall be designated by the Secretary, shall be responsible to the Secretary or to such other officer of the Department of State as the Secretary shall direct, and (d) the Service shall, except as otherwise provided in this order be administered as an organizational entity in the Department of State.”

2. Also on September 20 the President addressed a letter to the Secretary of State in which he stated:

“I have today signed an Executive Order which provides for the transfer to the State Department of the functions, personnel, and other resources of the Research and Analysis Branch and the Presentation Branch of the Office of Strategic Services \* \* \* effective October 1, 1945.

“The above transfer to the State Department will provide you with resources which we have agreed you will need to aid in the development of our foreign policy, and will assure that pertinent experience accumulated during the war will be preserved and used in meeting the problems of the peace \* \* \*.”

"I particularly desire that you take the lead in developing a comprehensive and coordinated foreign intelligence program for all Federal agencies concerned with that type of activity \* \* \*"

3. On September 27 the Acting Secretary of State announced the appointment of a Special Assistant to the Secretary of State in charge of Research and Intelligence. In the announcement it was stated:

"\* \* \* the Research and Analysis Branch and the Presentation Branch of the Office of Strategic Services will be transferred to the State Department effective as of October 1, 1945. These two branches will be immediately organized as an interim office in the Department, with [the Special Assistant] in charge. Shortly thereafter, such permanent offices as may be necessary for the creation of a strong intelligence unit, ordered by the President, will be established and placed under [the Special Assistant's] direction. Between October 1 and January 1, when the interim office will pass out of existence, the permanent offices will absorb such functions and personnel of the two Office of Strategic Service branches which the Department of State desires to retain.

"There will also be transferred to the permanent offices, under [the Special Assistant's] direction, appropriate units already existing within the present structure of the Department of State.

"[This action is among] the first steps in the reorganization of the Department to meet its expanding responsibilities. It should be emphasized that this reorganization will be worked out gradually one step at a time and will not take the form of numerous changes to be announced simultaneously. As further changes are made, specific announcements regarding each individual change will be made to the public."

4. On October 1, 1945, the Acting Secretary issued a directive to the Special Assistant for Research and Intelligence which contained the following:

"At the time when we were communicating with the Secretary of State in London regarding the establishment of an intelligence agency within the State Department, I sent him a message from which the following is an excerpt:

"The Special Assistant and his organization would be responsible for the collection, evaluation and dissemination of all information regarding foreign nations. These functions are now spread throughout the Department. To unite them in one organization, which would become the Department's encyclopedia, would free the operating offices of the intelligence function and thus relieve them of a very considerable burden. Intelligence would furnish the data upon which the operating offices would determine our policy and our actions. \* \* \*

"Since the Secretary concurred in these general principles, and since the President has signed the Executive Order, the excerpts which I have quoted can well serve as the general basis of a directive for you as Special Assistant to the Secretary for Research and Intelligence.

"It is desired that you take the following steps towards the creation of your intelligence unit:

" \* \* \*

"2. Establish a board consisting of Mr. Lyon, and such other representatives of the Department of State and OSS as you consider appropriate, for the purpose of surveying those parts of OSS which have been, or will be, transferred to the Department of State for the purpose of advising you which parts of OSS we wish to retain beyond January 1 and which parts we wish to dissolve at that time.

"3. Have the board conduct simultaneously a survey of those organizations within the present structure of the Department of State which are presently engaged in intelligence activities, for the purpose of advising you which of these organizations should be transferred to your own intelligence agency between now and January 1.

"4. Consolidate the units within OSS which we wish to retain and the units of the Department of State now participating in intelligence activities so that, by January 1, all intelligence activities within the Department will be under your own control. \* \* \*

"The steps which I have directed in this memorandum will have the effect of uniting and consolidating the intelligence activities of this Department. \* \* \*

5. In compliance with the directive of the Acting Secretary, on October 11, 1945, the Special Assistant requested various offices of the Department to

designate representatives to serve as members of an Intelligence Advisory Board. The following were so designated:

Sherman Kent, Chairman, SA-Mc  
 George Allen, NEA  
 John Dreier, ARA  
 Elbridge Durbrow, EUR  
 Wm. F. Finan, SA-Mc  
 Haldore E. Hanson, A-B  
 Frederick B. Lyon, CON  
 Stanley McKay, MN  
 Harley Notter, SPA  
 J. K. Penfield, FE  
 Willard K. Thorp, A-C

6. The Intelligence Advisory Board held its first meeting on October 19, 1945, at which time arrangements were made for each member of the Board to obtain from his Office a statement of its intelligence requirements and otherwise to assist members of the Special Assistant's staff in the planning of the Department's intelligence program.

7. On October 23, 1945, the House of Representatives passed and sent to the Senate H. R. 4407, which provided for rescission of certain OSS appropriations, leaving an unexpended balance of such appropriations insufficient for the continued functioning of the OSS units transferred to the Department of State. As a result, it was necessary for the Special Assistant to prepare a supplemental budget estimate for the Intelligence Offices. Upon submission of that budget estimate the Assistant Secretary for Administration raised the question of whether the intelligence research of the Department should not be done on a decentralized basis (in the various functional and geographic offices) instead of on a centralized basis as contemplated in the budget estimate.

8. To dispose of the issue thus raised the Under Secretary held a meeting in his office on October 27, 1945, at which the functional and geographic offices were represented, as well as the Assistant Secretary for Administration and the Special Assistant for Research and Intelligence. After considerable discussion it developed that the Assistant Secretary for Administration and the Assistant Secretary for American Republic Affairs favored a decentralized intelligence organization, while all others present either favored, or were prepared to go along with, a centralized intelligence organization.

9. The matter was then presented to the Secretary of State who approved the budget, covering the period ending June 30, 1946, which provided for a centralized intelligence organization.

10. On November 29, 1945, the Assistant Secretary for Administration appointed the following as a working group to prepare a detailed plan for establishing the permanent Intelligence Offices, for submission to the Intelligence Advisory Board:

George V. Allen, NEA (representing the Geographic Offices)  
 Amory H. Bradford, SA-Mc  
 Kermit Gordon, CP (representing the Economic Offices)  
 Sherman Kent, IRIS  
 John F. Killea, SA-Mc  
 Stanley McKay, MN  
 David H. Scull, MN

11. On December 12, 1945, the working group submitted a report to the Intelligence Advisory Board, which had been increased to provide for representation of each Economic Office, the Office of Foreign Service, and the Divisions most affected by the transfers proposed by the working group. The report consisted of (1) a proposal, recommended by a majority of the working group, for a centralized intelligence organization, together with a detailed statement of the planned organization, and (2) an alternative proposal, submitted on behalf of the Geographic Offices of the Department, for an intelligence organization in which collection facilities and certain research facilities would be centralized but the principal intelligence research would be decentralized to the Geographic Offices.<sup>1</sup>

<sup>1</sup> Decentralization of both political and economic research was proposed on behalf of the Geographic Offices at a December 19, 1945, meeting of the Intelligence Advisory Board.

12. On December 19, 1945, the Intelligence Advisory Board met to consider the report of the working group. Present were:<sup>2</sup>

Sherman Kent, Chairman, IRIS

George V. Allen, NEA

Samuel W. Boggs, GE

Richard F. Cook, TRC

John C. deWilde, ESP

John G. Dreier, ARA

Elbridge Durbrow, EUR

William F. Finan, Sa-Mc

Andrew B. Foster, OFS

Kermit Gordon, ITP

Haldore E. Hanson, A-B

Federick B. Lyon, CON

Harley A. Notter, SPA

Jacques J. Reinstein, OFD

Arthur Ringwalt,<sup>3</sup> FE

David H. Scull,<sup>4</sup> MN

E. Wilder Spaulding, RP

13. The Intelligence Advisory Board agreed that the objective of any plan of organization should be to meet the recognized need for improved research and intelligence service within the Department but could not agree on the extent to which the research and intelligence functions should be centralized. The Board:

(a) Voted 9 to 8 (with the Chairman breaking a tie vote) in favor of the following motion:

"The Board considers that the establishment of a central research and intelligence organization within the framework of the Directive of October 1st, issued by the Under Secretary, will best meet the needs of the Department of State for research and intelligence work."

(b) Recommended that an Office of Research and Intelligence be established, to meet the administrative problem created by the termination of IRIS on December 31, 1945, but that the question of a permanent intelligence research organization be made a matter of further study, and that the Intelligence Advisory Board be kept in existence for that purpose.

14. The Advisory Board's recommendations were transmitted to the Special Assistant for Research and Intelligence.

15. On December 28, 1945, the Assistant Secretary for Administration invited certain of the Assistant Secretaries or their representatives, together with certain selected officers of the Geographic Offices, to meet in his office for a discussion of the proposed intelligence organization. The group was in agreement regarding the centralization of intelligence collection activities and certain research activities (maps and biographical intelligence) but expressed widely divergent opinions regarding the functions proposed by the Special Assistant for Research and Intelligence for the geographic intelligence divisions.

16. On January 5, 1946, the Secretary directed that "the organization proposed by the Special Assistant to be adopted temporarily upon the express understanding that a final decision on the ultimate location of the Office of Research and Intelligence will be made on or before March 1st."

(Annex III omitted.)

<sup>2</sup> Also present were Mr. Just Lunning, Board Secretary; Messrs. Bradford and Killea, members of the working group; and Messrs. Heacock and Grilley of FR.

<sup>3</sup> For Mr. James K. Penfield.

<sup>4</sup> For Mr. Stanley McKay.

## ANNEX IV. FORM OF INTELLIGENCE ORGANIZATION PROPOSED BY THE GEOGRAPHIC OFFICES

The Geographic Offices feel an urgent need for better research and intelligence work in the Department. They welcome the opportunity now afforded for the realization of this much-needed improvement.

The Geographic Offices are of the view, however, that research activities in the Department of State, except for a relatively small general research group, must be tied organizationally with operations in order to be of real value. Our experience has been, both in connection with the work of the Research and Analysis Branch of OSS and the Territorial Studies Division of the State Department, that the great amount of outstanding talent which was amassed in those groups for research and intelligence work was by no means adequately utilized and was even to a considerable extent wasted. Both of these groups were organized during wartime, when any amount of effort and experience was considered justified as long as one report out of fifty could be translated into action. Continued waste of talent on the scale established during the war cannot be justified, particularly when fuller utilization is entirely feasible. The work of nearly one thousand persons now proposed for research and intelligence work of the Department can be made useful, and barren efforts avoided, if a good part of the personnel is integrated closely with the operating offices of the Department.

Moreover, if the research personnel is retained in a central organization, a difficulty more serious than wasted talent is likely to result. To retain able research men, they must be given a voice in recommending policy. Those now being brought into the Department should be given such a voice. But the policy recommendations of a research unit which is not organizationally integrated with operations are very likely to be theoretical judgments with little basis in reality. Policy, to be sound, must be based on the closest contact between day-to-day operations and good basic research.

It will hardly be argued that policy recommendations from two points of view, operations and research, would be useful to the executive officers of the Department in making their policy decisions. Not only do the executive offices have no time to devote to selection, but more, important, recommendations based either on operations or research exclusively are bad, and two bad policy recommendations are not useful material from which to make a good selection. What is needed is a linking of operations and research in the closest feasible manner. We are convinced through experience and judgment, that this can never be done as long as the two branches are organizationally separate.

The Geographic Offices propose that research and intelligence in the Department be organized as follows:

1. The Offices of Intelligence should include:
  - (a) Office of Security.
  - (b) Office of Intelligence Collection and Dissemination.
  - (c) Office of Research Coordination.
2. Each Geographic Office should maintain a Division of Research organized with geographic sections corresponding to the other Divisions of the Office.
3. Functions of the Office of Research Coordination would be:
  - (a) To establish and maintain standards of research and analysis throughout the Department.
  - (b) To formulate, in consultation with Geographic Offices, a Departmental program for basic research, and to coordinate and stimulate its execution.
  - (c) To organize and supervise cooperative projects in research cutting across the lines of the Geographic Offices.
  - (d) To maintain a central clearing house of information regarding research studies prepared or planned anywhere in the Department.
  - (e) To maintain liaison with other agencies of the Government, and with private institutions, for the purpose of utilizing all possible research resources to meet the Department's needs.
  - (f) To conduct specialized research on economic or other technical subjects.
4. Functions of geographic research divisions in Geographic Offices.
  - (a) To act generally as research and analysis body for geographical division.
  - (b) To prepare any necessary current situation reports on political conditions.
  - (c) To prepare and maintain basic information on current basis regarding countries in respective areas.
  - (d) To study and report on specific problems as requested by geographical division, or on own initiative with concurrence of geographic divisions.

Mr. MORRIS. What is the next document?

Mr. PANUCH. The next document, No. 6, is our answer and brief to Mr. McCormack's brief, in which we argue that the plan is disastrous, and should not be put into effect.

The CHAIRMAN. It may go into the record and become a part of the record.

(The document referred to was marked "Exhibit No. 265" and follows:)

#### EXHIBIT No. 265

A-R, FEBRUARY 25, 1946.

The SECRETARY:

1. I transmit herewith my report and recommendations with respect to Staff Committee Document No. SC-185, entitled "The Permanent Location and Organization of the Office of Research and Intelligence".

2. According to your directive of January 5, 1946, the issue involved is to be finally determined by you on or before March 1, 1946.

DONALD RUSSELL.

#### I. INTRODUCTORY

On 12 February 1946 the Special Assistant for Research and Intelligence submitted to the Secretary's Staff Committee Document SC-185 entitled "Permanent Location and Organization of the Office of Research and Intelligence" (ORI). By direction of the Secretary, this document was referred to the Assistant Secretary for Administration for consideration and clearance, in accordance with Departmental Order No. 1356 (Tab A).

This paper involves an issue on which there is an irreconcilable difference of opinion in the Department. The issue is whether, as the Special Assistant contends, the intelligence activities of the Department shall be centralized—that is, organized outside of, and not accountable to, the policy offices of the Department, or whether, as held by Assistant Secretaries Dunn and Braden, such activities, to the extent necessary, shall be integrated with, and made responsible to, the Offices of the Department charged with policy development and formulation.

#### II. PRIOR HISTORY OF CONTROVERSY

##### 1. ORIGIN

On 20 September 1945 the President approved the Bureau of the Budget's plan<sup>1</sup> for the organization of the overt and secret foreign intelligence activities of the Government. This plan called for the Department of State to assume the initiative in launching the program through a system of interdepartmental committees composed of representatives of agencies concerned with intelligence. As a first step towards implementation of the plan, the President, on 20 September, signed Executive Order 9621 transferring to the Department of State as of 1 October 1945 the functions, personnel and resources of the Research and Analysis Branch of the Office of Strategic Services. Concurrently, the President issued a directive to the Secretary of State, dated 20 September (Tab B), wherein he said, in part:

"The above transfer to the State Department will provide you with resources which we have agreed you will need to aid in the development of our foreign policy, and will assure that pertinent experience accumulated during the war will be preserved and used in meeting the problems of peace. Those readjustments and reductions which are required in order to gear the transferred activities and resources into State Department operations should be made as soon as practicable.

"I particularly desire that you take the lead in developing a comprehensive and coordinated foreign intelligence program for all Federal agencies concerned with that type of activity. This should be done through the creation of an interdepartmental group, heading up under the State Department, which would formulate plans for my approval. \* \* \*

<sup>1</sup> Intelligence and Security Activities of the Government, Bureau of the Budget, September 20, 1945.

## 2. PROBLEMS CREATED BY THE PRESIDENT'S DIRECTIVE

The President's directive confronted the State Department with two serious problems.

(a) How to absorb the resources transferred from OSS within the framework of the Department's organizational structure.

(b) How to launch a complex program for the organization and coordination of National overt and secret foreign intelligence activity on an interdepartmental committee basis without the support of the War and Navy Departments and the Joint Chiefs of Staff.

The Department was relieved of the second problem when it became obvious that the plan to organize a National foreign intelligence program through the interdepartmental committee mechanism was impracticable. Accordingly, this mission was assigned to the National Intelligence Authority, established by the President's directive of 22 January 1946.

With respect to the first problem, the transfer of functions and personnel of the Research and Analysis Branch of OSS to the State Department developed into a bitter and irreconcilable difference of opinion as to the scope of the intelligence function and its proper functional relationship to the work of the Department as a whole.

This issue was presented to and extensively argued before A-R on 28 December 1946. On 29 December A-R submitted to the Secretary his recommendations with respect to the determination of the controversy. Because of the Secretary's imminent departure for London, he withheld final decision and stated in his directive to A-R of 5 January 1946:

"\* \* \* The proposal of the Special Assistant for Research and Intelligence involves fundamental changes in the organization of the Department \* \* \*.

"I wish the organization proposed by the Special Assistant to be adopted temporarily upon the express understanding that a final decision on the ultimate location of the Office of Research and Intelligence will be made on or before March 1st."

## III. BASIC ELEMENTS OF THE PROBLEM

In approaching the organizational problem presented by SC-185, some basic considerations should be borne in mind. These are three: (1) The President's objectives; (2) the character of the intelligence function; (3) the nature of the Department's intelligence requirements.

## 1. THE PRESIDENTIAL OBJECTIVES

The President's purpose in transferring OSS research resources to the Department was: "\* \* \* to aid in the development of our foreign policy. \* \* \*". The directive did not envisage, much less require, that the personnel and functions transferred from OSS would be grafted on the Department without due regard to its organizational structure. Indeed, the President's letter contemplates a careful meshing, to wit:

*"Those readjustments and reductions which are required to gear the transferred activities and resources into State Department operations should be made as soon as practicable."* [Emphasis supplied.]

## 2. THE FUNCTION OF FOREIGN INTELLIGENCE

Foreign intelligence is defined in the ORI charter as "evaluated, positive information on foreign countries as an aid to the formulation and implementation of foreign policy." Since the State Department is the principal foreign intelligence agency of the Government, the transfer of the OSS functions does not present the problem of how a new function is to be conducted. The question is the manner in which the personnel and facilities transferred are to be assimilated in a going concern so as to augment its total resources without disrupting its organization and throwing its operations into confusion. In this respect, the Bureau of the Budget report, on which the President's directive of 20 September was based, lays down this controlling principle as to the situs of intelligence activities, at p. 9:

*"The intelligence operation is handmaiden to the action-taking and policy-determining groups. It must be sensitive to their needs. It must have handy the mass of original documents and material on which its studies are based. While it may secure much assistance from others outside, it must be responsible to the place of decision. A department which will be held responsible for its decisions and actions must, in turn, be able to hold accountable to it the operation*



*which produces intelligence on which those decisions and actions will, in part, be based.*" [Emphasis supplied.]

The State Department is organized along geographic and functional lines. The geographic and economic desks are "the action-taking and policy-determining groups" in the great flow of Departmental decisions made daily. In matters of high import, they are responsible for recommendations with respect to policy or action on which the Secretary's decisions are based.

### 3. DEPARTMENTAL INTELLIGENCE REQUIREMENTS

For the purposes of this controversy, it is conceded that some strengthening of the intelligence resources of the geographic offices is necessary. However, the real problem is to coordinate and correlate the vast volume of existing intelligence research. Some form of a central organization is required to coordinate the research work of all the Offices on a departmental basis, to fix Departmental intelligence objectives and establish uniform standards of research. Such a central intelligence organization should also undertake:

(a) Subject to appropriate instructions and policy controls, the representation of all interested elements of the Department on the technical staff of the National Intelligence Authority.

(b) In cooperation with the geographic and economic offices, the preparation of special intelligence estimates for the Secretary and the Under Secretary and other top-level officials of the Department and for the National Intelligence Authority.

(c) Responsibility for the collection and dissemination of positive intelligence produced in the Department.

## IV. ANALYSIS OF ARGUMENT IN SUPPORT OF CENTRALIZED INTELLIGENCE ORGANIZATION

The argument presented in SC-185 in support of the proposal for making permanent the tentative organization of ORI breaks down into four main elements.

### 1. THE OCTOBER 1ST DIRECTIVE (DOC. SC-185—PP. 1-3)

The point is made that the centralized intelligence organization now proposed is called for by the October 1st directive (Tab C). In calling for a centralization of all intelligence activities of the Department, it disregarded the principle of intelligence decentralization which was a prime tenet of the Bureau of the Budget's intelligence organization plan on which the President's instructions to the Secretary were based. Its proposal for the consolidation of the Department's "positive" and "security" intelligence activities was inconsistent with the elementary principles of intelligence organization and is neither practicable nor desirable. In any event, as the Secretary has ruled, any administrative directive is subject to review with respect to its organizational soundness and feasibility as provided for by Departmental Order 1356 (Tab A).

### 2. THE ARGUMENT FOR "INDEPENDENT" RESEARCH (SC-185—PP. 4-5)

"The first argument for separating the intelligence function completely from operating and policy functions is one of principle. Intelligence research is fact-finding. It requires independence and integrity of judgment, perspective and objectivity—qualities that thrive only in the most favorable environment."

In support of this statement of the independence doctrine, Walter Lippmann's *Public Opinion* (1921), now republished as a Pelican Book, is cited. Safeguards thrown about the fact-finding processes of petit juries, courts of equity and administrative tribunals are invoked as applicable analogies.

No one questions that research intelligence, to be useful, should be unbiased, objective, and even chock-full of perspective. But, if, as asserted, such qualities are able "to thrive only in the most favorable environment," intelligence is not likely to flourish in the savage climate of atomic age diplomacy. Centralization of researchers in an independent organization divorced from the impact of operations and policy is no guarantee of perspective and objectivity. Indeed, it may even produce a theoretical or doctrinaire form of bias. The cited analogies with respect to the complete divorcement from policy (law) of the fact-finding processes of juries, administrative tribunals and equity judges are misdirected. A jury finds facts on instructions by the trial judge and often in the light of his

comments on the evidence. A court of equity renders findings of fact and conclusions of law. The same is true of most administrative tribunals. In no case is there an insulation of the fact-finding process from the impact of policy or principle.

### 3. THE INTELLIGENCE QUALIFICATIONS OF THE GEOGRAPHIC OFFICES; (SC-185—PP. 6-8 PAR. 8-15)

This argument is in the nature of *ad hominem*. It boils down to two propositions:

(a) "The geographic offices are not qualified by training or experience to supervise research work."

(b) "Even assuming that research could be supervised adequately in the geographic offices and that it would produce intelligence unaffected by the policy commitments of those offices, decentralization would still impair the effectiveness of the present organization and be wasteful and inefficient."

This contention, aside from its lack of good taste, appears to misconceive the true function of intelligence and evidences an unfamiliarity with the operation of the State Department. The Secretary is responsible for our foreign policy. That policy is determined by him on the basis of information originating with our missions abroad, which is screened, correlated and evaluated by the existing geographic offices.

The proposed charter of ORI states that it will provide "evaluated, positive information on foreign countries as an aid to the formulation of foreign policy in the Department." (See Annex I, of SC-185, 133.20-11.) If this charter is made permanent, we shall have ORI attempting to operate in the same field as the regular long-established Geographic Offices. At best, the result will be wasteful duplication of effort. More likely, it will create conditions of administrative bedlam. If the Geographic Offices, as claimed, are not doing the intelligence job they are supposed to do, or if their product is biased, the solution is to replace their personnel. The corrective does not lie in the establishment of a competitive organization divorced from and not accountable to the offices responsible for the formulation and development of recommendations on foreign policy.

### 4. DISRUPTION OF THE ORI STAFF (SC-185—PP. 8-10, PAR. 16-33)

It is argued that the integration of the research units of ORI with the research staffs of the Geographic Offices of the Department will wreck a going concern with five years of "know-how" in the intelligence field. This overlooks the fact that there is a vast difference between the limited purpose research objectives of OSS and the policy intelligence requirements of the Department of State. Even if equal competence be assumed, an independent centralized research group as contemplated by ORI would inevitably duplicate the work of the Geographic Offices.

During the war, duplicating organizations—particularly in the intelligence field—were justified for reasons (sometimes valid, often not) of expediency or by reason of emergency considerations. With the cessation of the war, a continuance of this practice is intolerable. On this point, the Bureau of the Budget, in its report<sup>2</sup> to the President, stated at p. 13:

*"We cannot, however, continue a complete structure superimposed on top of the normal structure of Government beyond the period when our war needs demand it. The problem is how to capture that which is good and to integrate it into the normal framework of the Government. Had our intelligence base been strong when war came upon us, COI (OSS) would not have had to build independent facilities. However, to continue such facilities in the future will tend to perpetuate the very weaknesses that must be corrected."* [Emphasis supplied.]

The limited and special functions of a central research staff are indicated as follows at p. 13:

*"\* \* \* Such independent central staff as may be required, however, can be small, since it could rely very largely on the product of research and analysis in the departments and will not engage in large-scale original research and analysis itself. Its responsibilities would be to secure and harmonize intelligence, to reconcile conflicting intelligence, and as envisioned in the JIC paper*

<sup>2</sup> Intelligence and Security Activities of the Government, September 20, 1945.

already quoted to 'mobilize the resources of all agencies in the fulfillment of an urgent intelligence requirement.'" [Emphasis supplied.]

What applies to a central research staff such as that of the National Intelligence authority is equally applicable to the Department of State.

#### V. CONCLUSION

In view of the foregoing, it is clear that the research intelligence activities of the Department (other than the functions enumerated at p. 5, *supra*) must be organized as a part of, and must be responsible to, the offices where departmental policy is formulated or action taken. (See Function of Foreign Intelligence, pp. 4-5, *supra*.)

The organization of the Office of Research and Intelligence as presently constituted is in conflict with this elementary principle of departmental organization. In the best interests of the Department, ORI should be reorganized, its functions redefined, and the intelligence operations of the Department should be established in accordance with the recommendations submitted below.

#### VI. RECOMMENDATIONS

It is recommended that:

1. The functions of the geographic intelligence divisions of the Office of Research and Intelligence (ORI) be transferred to the geographic offices of the Department and that ORI be renamed as the Office of Intelligence Coordination and Liaison.

2. Subject to appropriate policy control by, and the instructions of, the Standing Committee on Intelligence hereafter proposed, the Office of Intelligence Coordination and Liaison, in collaboration with the Office of Intelligence Collection and Dissemination, should perform the following functions:

(a) Represent all interested elements of the Department on the staff of the National Intelligence Authority.

(b) In cooperation with the geographic and economic offices, prepare special intelligence estimates for the Secretary and the Under Secretary, the Assistant Secretaries, and for the National Intelligence Authority.

(c) To establish and maintain standards of research and analysis throughout the Department.

(d) To formulate, in consultation with geographic and economic offices, a Departmental program for basic research, and to coordinate and stimulate its execution.

(e) To organize and supervise cooperative projects in research cutting across the lines of the geographic and economic offices.

(f) To maintain a central clearing house of information regarding research studies prepared or planned anywhere in the Department.

(g) To maintain liaison with other agencies of the Government, and with private institutions, for the purpose of utilizing all possible research resources to meet the Department's needs.

(h) To conduct specialized research on economic or other technical subjects.

3. The Secretary should appoint a Standing Committee on Intelligence consisting of the two Assistant Secretaries for Political Affairs, the Assistant Secretary for Administration and the Special Assistant for Research and Intelligence to:

(a) Supervise the establishment and coordination of Departmental intelligence objectives and policies.

(b) Subject to the direction and control of the Secretary, to formulate and supervise the implementation of Departmental policy with respect to the National Intelligence Authority.

(c) To approve participation by the Department in any centralized operations or projects which the Director of the Authority may propose.

4. The transfer of functions, personnel and facilities envisaged in recommendation (1) above should be executed in such manner as to leave the Special Assistant with adequate resources to carry out his mission as redefined in recommendation (2).

5. The phasing of the transfer and the disposition of the personnel, functions and resources of ORI should be left to the determination of the Assistant Secretary for Administration, with due regard to the recommendations submitted by the Special Assistant for Research and Intelligence.

6. Each geographic office shall organize and maintain a Division of Research, set up with geographic sections corresponding to the other divisions of the office. The establishment of such offices and the timing thereof shall be under the supervision and direction of the Assistant Secretary for Administration.

## DEPARTMENT OF STATE

Departmental Order 1356

Issued 11-7-45.  
Effective 11-5-45.

## CLEARANCE OF ORGANIZATION PROPOSALS

Purpose: The purpose of this Order is to establish the procedure for consideration and clearance by the Assistant Secretary for Administration of all proposed changes in, or additions to, the organization of the Department and the Foreign Service.

1. Scope: Any and all proposals with respect to

(a) The realignment of existing divisions and Offices of the Department and the Foreign Service; or

(b) Changes in the functions of such Offices or divisions as presently constituted; or

(c) The establishment of new Offices or Divisions.

shall be cleared with the Assistant Secretary for Administration before presentation to the Secretary for approval.

2. Time for consideration: It is essential that the Assistant Secretary for Administration be accorded adequate time for considered evaluation of all such proposals and their administrative and budgetary implications. Accordingly, all such proposals of major organization or budgetary significance shall be submitted to him on ten days' notice; at least five days' notice will be required with respect to proposals of lesser import.

3. Authority to waive: The Assistant Secretary for Administration may waive or modify the foregoing requirements of notice whenever, in his sound discretion, such action appears warranted by reason of special circumstances.

JAMES F. BYRNES.

NOVEMBER 5, 1945.

THE WHITE HOUSE,  
Washington, September 20, 1945.

The honorable the SECRETARY OF STATE.

MY DEAR MR. SECRETARY: I have today signed an Executive order which provides for the transfer to the State Department of the functions, personnel and other resources of the Research and Analysis Branch and the Presentation Branch of the Office of Strategic Services. The order also transfers the remaining activities of the Office of Strategic Services to the War Department and abolishes that Office. These changes become effective October 1, 1945.

The above transfer to the State Department will provide you with resources which we have agreed you will need to aid in the development of our foreign policy, and will assure that pertinent experience accumulated during the war will be preserved and used in meeting the problems of the peace. Those readjustments and reductions which are required in order to gear the transferred activities and resources into State Department operations should be made as soon as practicable.

I particularly desire that you take the lead in developing a comprehensive and coordinated foreign intelligence program for all Federal agencies concerned with that type of activity. This should be done through the creation of an inter-departmental group, heading up under the State Department, which should formulate plans for my approval. This procedure will permit the planning of complete coverage in the foreign intelligence field and the assigning and controlling of operations in such manner that the needs of both the individual agencies and the Government as a whole will be met with maximum effectiveness.

Sincerely yours,

HARRY TRUMAN.

## MEMORANDUM FOR COLONEL MCCORMACK, OCTOBER 1, 1945

At a time when we were communicating with the Secretary of State in London regarding the establishment of an intelligence agency within the State Department, I sent him a message from which the following is an excerpt:

"The special Assistant and his organization would be responsible for the collection, evaluation, and dissemination of all information regarding foreign nations. These functions are now spread throughout the Department. To unite them in one organization, which would become the Department's encyclopedia, would free the operating offices of the intelligence function and thus re-

lieve them of a very considerable burden. Intelligence would furnish the data upon which the operating offices would determine our policy and our actions. Sources of information would be our own field installations and those of other departments as well as all Washington agencies and other domestic sources.

"Under the Special Assistant there would be two offices, one for counter-intelligence and one for intelligence. The former would be constituted by shifting to it those divisions now engaged in counterintelligence work but scattered throughout other offices of the Department. There is a pressing need for the consolidation of these divisions, along with their personnel, files, and equipment for proper exercise of the counterintelligence function. \* \* \*

"\* \* \* The Bureau of the Budget is preparing a draft of an executive order which would transfer to the State Department two OSS units, the Research and Analysis Branch and the Presentation Branch, with their functions, personnel, property, records, and funds. I propose that you authorize me to concur in this executive order. If it is signed, we should immediately place the two branches in an interim office, under our Special Assistant for Research and intelligence. Before the first of the year we should absorb into our permanent intelligence structure such functions, personnel, property, and records of the two branches as we desire to retain. The remainder would pass out of existence at that time."

Since the Secretary concurred in these general principles, and since the President has signed the Executive Order, the excerpts which I have quoted can well serve as the general basis of a directive for you as Special Assistant to the Secretary for Research and Intelligence.

It is desired that you take the following steps towards the creation of your intelligence unit:

1. Participate in such future discussions as may take place regarding the disposition of those parts of OSS as are not specifically disposed of in the Executive Order, but which may be disposed of administratively. You will represent the Department of State in these discussions, at which I understand representatives of the War Department and OSS will also be present.

2. Establish a board consisting of Mr. Lyon, and such other representatives of the Department of State and OSS as you consider appropriate, for the purpose of surveying those parts of OSS which have been, or will be, transferred to the Department of State for the purpose of advising you which parts of OSS we wish to retain beyond January 1 and which parts we wish to dissolve at that time.

3. Have the board conduct simultaneously a survey of those organizations within the present structure of the Department of State which are presently engaging in intelligence activities, for the purpose of advising you which of these organizations should be transferred to your own intelligence agency between now and January 1.

4. Consolidate the units within OSS which we wish to retain and the units of the Department of State now participating in intelligence activities so that, by January 1, all intelligence activities within the Department will be under your own control.

I attach hereto a copy of a memorandum signed by the President on September 20, 1945. It directs the Secretary of State to "take the lead in developing a comprehensive and coordinated foreign intelligence program for all Federal agencies concerned with that type of activity. This should be done through the creation of an interdepartmental group, heading up under the State Department, which would formulate plans for my approval. This procedure will permit the planning of complete coverage of the foreign intelligence field and the assigning and controlling of operations in such manner that the needs of both the individual agencies and the Government as a whole will be met with maximum effectiveness."

I understand that this memorandum was signed by the President before he received a memorandum, also attached, which was drafted by the Joint Chiefs of Staff. The JCS memorandum differs in some respects from the President's memorandum to the Secretary of State. In addition, it is a more detailed document.

The steps which I have directed in this memorandum will have the effect of uniting and consolidating the intelligence activities of this Department. As regards the next step—that of "developing a comprehensive and coordinated foreign intelligence program for all Federal agencies concerned with that type of activity"—please make a careful and immediate study of the President's memorandum and the JCS memorandum and advise the Secretary of State as to what measures he should take.

I am directing Mr. Lyon to serve temporarily as your deputy in effecting the matters which I have outlined. He will also help you get established in the Department and deal with the appropriate offices under the Assistant Secretary for Administration in securing space, funds, et cetera.

DEAN ACHESON.

Mr. MORRIS. The next, Mr. Panuch?

Mr. PANUCH. The next is a document No. 7, of April 24, and is a State Department press release, which is an interchange of letters in connection with Colonel McCormack's resignation, between Under Secretary Acheson and himself.

The CHAIRMAN. It may go into the record and become a part of the record.

(The document referred to was marked "Exhibit No. 266" and follows:)

### EXHIBIT No. 266

DEPARTMENT OF STATE

No. 275, APRIL 24, 1946.

The Department of State today announced the resignation of Colonel Alfred McCormack, Special Assistant to the Secretary of State for Research and Intelligence. Colonel McCormack tendered his resignation on April 23. Acting Secretary Acheson accepted Colonel McCormack's resignation on the same date. The exchange of correspondence is as follows:

APRIL 23, 1946.

The Honorable DEAN ACHESON,

*Acting Secretary of State.*

DEAR MR. SECRETARY: The series of Departmental Orders issued yesterday, relating to the intelligence organization within the Department, provide for dismembering the Office of Research and Intelligence and transferring its functions to a group of separate research divisions under the Political Offices, and they contain other organizational provisions that I regard as unworkable and unsound. I had hoped that the compromise proposal worked out by Colonel Tyler Wood, which appeared to meet all points of substance raised by the Political Offices, would be found acceptable, and I was therefore disappointed to find that the orders as issued conformed almost exactly to the so-called "Russell Plan," proposed by the Assistant Secretary for Administration last December.

I realize how difficult it has been for the Secretary to decide an issue on which the Department has been so divided in opinion, in view of the enormous burden that the Secretary has been carrying. I am convinced, however, that while the plan adopted will give needed reinforcements to the Political Offices, and in that respect will be beneficial, it will make impossible the establishment of a real intelligence unit within the Department; that it will weaken the Department, vis-a-vis the military components of the National Intelligence Authority, who already have the advantage of a three to one representation in the Central Intelligence Group, as compared with that of the State Department; and that it will prevent the carrying out of the long-range plans for postwar intelligence which you and I had in mind when you asked me to come into the Department.

The Department must go before the Senate Appropriations Committee within two or three weeks to present its case for restoration of the appropriations cut made by the House of Representatives, affecting the intelligence organization. Feeling as I do that the organization as now to be set up is unsound and not in the best interests of the Government, I cannot conscientiously present the case to the Senate, and I believe that the best interests of the Department and the Government will be served by my immediate resignation.

I therefore submit my resignation, with the request that you release me at once. It is my hope that, by replacing me with a man who has not been a party to the internal differences of the past six months, the Department may contrive in some way to salvage the intelligence organization which it took over from the Office of Strategic Services. In spite of serious losses of personnel and many other difficulties that it has encountered since October 1, 1945, it is still an effective intelligence unit. In my opinion, because of demobilization of other intelligence units that were functioning in wartime, it is the best remaining asset of the Government in the Foreign intelligence field.

I am grateful to you for the efforts that you have made to work out an organizational arrangement that would meet the views of all parties concerned and for the personal support and good advice that you have given me since I have been in the Department.

With all good wishes,

Sincerely yours,

ALFRED McCORMACK.

APRIL 23, 1946.

The Honorable ALFRED McCORMACK,

*Special Assistant for Research and Intelligence,*

*Department of State.*

DEAR COLONEL McCORMACK: I have your letter of April 23 in which you tender your resignation as Special Assistant to the Secretary for Research and Intelligence. I understand and respect the reasons that led you to this decision; and much as I regret that it falls to me to receive your letter, I accept your resignation. I know that the Secretary would wish me to express on his behalf his appreciation of your devoted service to the Department over these past months, both in organizing within the Department the intelligence work and in representing the Department in establishing, in accordance with the President's direction, the Department's participation in the work of the National Intelligence Authority.

May I add my own word. I know with what reluctance you gave up last fall your intention to return to private life in order to do this work in the Department. I know the untiring energy which you devoted to it. I know the effort which you have put into surmounting the difficulties which were inherent in the task. All of us who have worked with you are deeply grateful. When you joined us, you and I had only a slight acquaintance; I knew you chiefly through your work. As you leave, you take with you my increased admiration for that and a deep personal regard. I hope that the future holds opportunities for us to work together again and to happier outcomes.

Sincerely yours,

DEAN ACHESON.

Mr. MORRIS. The next one, Mr. Panuch?

Mr. PANUCH. The next one is the plan that we had always insisted on as the only proper plan of intelligence organization for the State Department, which limited the functions of our Central Intelligence Agency in the Department to positive intelligence, and required co-ordination and integration with the policy desks of the geographic offices.

That was promulgated, approved by the Secretary, adopted, and issued as a departmental instruction by me on May 6, 1946.

The CHAIRMAN. It may go into the record and become a part of our record.

(The document referred to was marked "Exhibit 267" and follows:)

#### EXHIBIT No. 267

DEPARTMENT OF STATE,  
ASSISTANT SECRETARY, AR-P,  
6 May 1945.

Memorandum for Dr. Langer.

Subject: Russell Plan of Intelligence Research Organization.

1. The Secretary recently signed a series of regulations which embody the organization principles of the above.

2. Since the Russell Plan has been one which this Office has urged over a period of the past six months, I thought the accompanying memorandum outlining its modus operandi as envisaged by this Office might prove useful.

J. ANTHONY PANUCH,  
*Deputy Assistant Secretary for Administration.*

DEPARTMENT OF STATE PUBLICATION 2554: THE RUSSELL PLAN FOR THE ORGANIZATION OF POSITIVE INTELLIGENCE RESEARCH IN THE DEPARTMENT OF STATE

### I. BASIC PHILOSOPHY

On April 22, 1946, the Secretary of State issued a series of regulations activating the Russell Plan<sup>1</sup> for the organization for research and intelligence in the Department of State.<sup>2</sup> In principle, the plan is simple. Organizationally, it is predicated in the fact that the Department of State is set up on a geographic basis.

The political policy finally formulated, however, with respect to a given country or area must include considerations of an economic, military, sociological, and even domestic character. Although policy, in the last analysis, must be accomplished on a geographic basis by the geographic offices as line or operating units, the analysis and evaluation of nonpolitical or functional components of foreign policy are correlated through the offices under the jurisdiction of the Assistant Secretary for economic affairs and the Assistant Secretary for public affairs.<sup>3</sup> In performance of this function, these two offices operate as staff agencies.

Intelligence research to be most useful must be integrated into this general organization. It must be organized so as to serve the geographic offices in a "staff" capacity but at the same time serve the other "staff" echelons of the Department under the Assistant Secretaries for economic affairs and public affairs.

All research carried on must fit into a balanced departmental program of positive intelligence that is related to authoritatively determined intelligence requirements and objectives.

### II. ORGANIZATIONAL OBJECTIVES

The forthcoming regulations are intended to accomplish certain basic objectives:

1. To establish the Special Assistant for Research and Intelligence as the "staff arm" of the Secretary in the formulation and implementation of the Department's internal and interdepartmental programs of positive foreign intelligence.

2. To establish under the Special Assistant for Research and Intelligence an Advisory Committee on Intelligence which will, through a strong subcommittee, formulate a departmental program of intelligence research and assign project priorities.

3. To build up within each geographic office a Research Division which will provide strong research facilities at the point where political decisions are made or action is taken.

4. To build up as an office under the Special Assistant for Research and Intelligence a strong central coordination and liaison group which in order to implement the decisions of the subcommittee will—

(a) coordinate, monitor, and review all departmental research studies initiated anywhere in the Department;

(b) undertake such special research studies as may be required;

(c) be responsible for carrying out those duties assigned to it by the Special Assistant for Research and Intelligence with relation to the National Intelligence Authority<sup>4</sup> and any other Government agency concerned with the field of positive intelligence.

5. To establish as an office under the Special Assistant for Research and Intelligence a central group for the collection and dissemination of positive intelligence data and materials.

### III. ORGANIZATIONAL PATTERN

#### 1. The Geographic Offices

Under the plan a Division of Research is attached to each geographic office. This is a self-contained, nonoperating "staff" unit at the office level, under its own chief who reports and is responsible to the director of the geographic office. The chief of the Research Division is responsible to the office director for the research program of the office and for the due accomplishment of the segment of

<sup>1</sup> Program planned by Donald S. Russell, Assistant Secretary for administration.

<sup>2</sup> Department of State Bulletin of May 12, 1946, p. 826.

<sup>3</sup> Exceptions to this principle of organization are found in the Office of Special Political Affairs and Office of the Assistant Secretary for occupied areas, where, because of the prospective military and multilateral relations involved, a special service organization is required.

<sup>4</sup> Department of State Bulletin, Feb. 3, 1946, p. 174.



the departmental research program assigned to the office by the Advisory Committee on Intelligence, through its Subcommittee on Programs and Priorities. The chief of the Division of Research should be the representative of the office director on the Subcommittee on Programs and Priorities. Though the chief of the Division of Research reports to the office director, he and his staff are expected to maintain the closest technical liaison on all matters of research with the Office of Intelligence Coordination and Liaison and other research units of the Department.

The purpose of establishing strong research units in the geographic offices is twofold: to provide balanced research facilities at the points where political policy is made or action taken; and to make the intelligence operation sensitive to, yet independent of, the policy determining political divisions. In this manner, the office director is provided with an automatic system of checks and balances as between his "staff" or research division and his "line" or policy divisions.

## 2. *The Advisory Committee on Intelligence (ACI)*

The Russell Plan calls for the establishment of an Advisory Committee on Intelligence composed of the Assistant Secretaries for political affairs and the Assistant Secretary for administration, under the chairmanship of the Special Assistant for Research and Intelligence. It is expected that this committee will meet only to consider matters of broad general policy in the field of positive intelligence. It will, however, have a working subcommittee with representation from the geographic and other appropriate offices of the Department. The job of the working subcommittee will be to formulate a balanced departmental program of research and to assign such priorities as will assure the optimum utilization of all departmental research resources so that departmental and interdepartmental intelligence requirements are assessed and fulfilled on the basis of essentiality and relative urgency.

The necessity for a working group of this character, which must be staffed by a strong secretariat, is illustrated by a partial listing of research consumers whose competing requests for service will have to be evaluated and phased:

Geographic Offices

Economic Offices

Information and Cultural Offices

Special Political Affairs

Occupied Areas

National Intelligence Authority

Military Intelligence Agencies (Military Intelligence Service (MIS), Office of Naval Intelligence (ONI), Joint Intelligence Committee (JIC), etc.)

To accomplish its mission effectively, the subcommittee of the ACI, that is the Subcommittee on Programs and Priorities, must be a responsible group, representative of the Department as a whole, each member of which must be authorized to speak for and bind his office. Each member of the subcommittee must be acceptable to the Special Assistant for Research and Intelligence.

## 3. *The Special Assistant for Research and Intelligence*

The Special Assistant is the principal adviser to the Secretary with respect to all matters of positive intelligence. The ACI and its subcommittee are his consultative and advisory instruments for the formulation, planning, and phasing of the Department's research-intelligence program. Although the Special Assistant exercises direct "line" authority only over his own staff and the offices immediately under his jurisdiction (OCL and OCD), he has effective technical supervision over the Department's research program through the programming and priorities functions of ACI.

## 4. *Office of Intelligence Coordination and Liaison (OCL)*

The mission of OCL is vital to the success of the Russell Plan. It is expected, inter alia—

(a) to provide a permanent secretariat for the ACI and its subcommittee;

(b) to function, at the technical level, as the instrument for coordinating and correlating intelligence research in accordance with the programs formulated by the ACI and its subcommittee, for example, by administering research priorities assigned in such programs and by applying in editorial review the research standard formulated by the ACI and its subcommittee;

(c) to operate as the center for distribution of research papers produced in the Research Divisions, so as to secure the maximum utilization compatible with security;

(d) to conduct specialized research on technical matters not within the cognizance of other research units; to organize and supervise cooperatives research projects cutting across geographic and economic lines; to undertake such special studies as may be required of it by the Special Assistant for Research and Intelligence;

(e) to participate, as directed by the Special Assistant for Research and Intelligence, in the Department's relations with the Central Intelligence Group of the National Intelligence Authority (NIA) and other Government agencies in the field of positive intelligence.

As the liaison group of the Department with the Central Intelligence Group of the NIA and as the secretariat of ACI and its subcommittee, OCL is in a key position to coordinate the execution of the research program in its departmental and interdepartmental aspects. Because of this organizational vantage point, it is in a position to provide ACI and its subcommittee with informed recommendations to guide its formulation of the research program or the assignment of priorities. It will be in a unique position to provide invaluable assistance to other research units of the Department with respect to the initiation, feasibility, or status of research projects.

#### 5. *Office of Intelligence Collection and Dissemination (OCD)*

The functions of OCD are—

(a) to procure for the Department intelligence materials through various channels;

(b) to maintain files of intelligence materials for reference use by all offices of the Department;

(c) to collect factual information and opinions on important individuals in foreign countries whose activities or views are important in determining and implementing foreign policy and to maintain files of such material for use by all offices of the Department;

(d) to acquire and allocate to various governmental agencies foreign publications received through the Foreign Service establishment;

(e) to prepare visual materials such as charts, freehand illustrations, and mechanical drawings for all offices of the Department.

### IV. THE PLAN IN OPERATION

As soon as the ACI or its Subcommittee on Programs and Priorities establishes a basic research program for the Department and makes assignments thereunder, the intelligence operation will be on a current basis and every research project can be evaluable with respect to its importance and relative urgency.

#### 1. *Clearance of projects*

All projects to be undertaken by the Research Divisions, by OCL, or by other units of the Department except the Division of Research and Publications must be cleared through the program and priority mechanism. Several channels will be available, depending upon the origin of the project proposal. In the case of the geographic offices the office director will send to the project unit of OCL any project proposal approved by him, or if he so authorizes, by his Research Division chief. If the project falls within the framework of the overall departmental program, this unit may immediately agree to the propriety and feasibility of the proposal and give clearance; in case of doubt the unit would consult with the director or his chief of research. If no agreement can be reached, the OCL project unit will present the case at the next session of the Subcommittee on Programs and Priorities (on which the initiating office would be represented) for decision.

Other offices of the Department such as A-B, A-C, and SPA<sup>5</sup> will submit projects to the project unit of OCL directly or through the channel of the geographic offices when prior conversations with them make it appropriate. These offices will be represented on the Subcommittee on Programs and Priorities, will have access to the project unit of OCL directly, and will have access to the research facilities of the geographic Research Divisions, OCL, and OCD in accordance with the general program and priorities established by ACI or the Subcommittee on Programs and Priorities.

If requestors from outside the Department desire the Department to undertake research on their behalf, they will send proposals to OCL through established liaison channels. The project unit of OCL will then submit the proposal

<sup>5</sup> Office of the Assistant Secretary of State, Mr. Benton; Office of the Assistant Secretary of State, Mr. Clayton; Office of Special Political Affairs.

before clearance to the appropriate office of the Department for an opinion as to feasibility in relation to work load and to the office program.

## *2. Mobilization of resources*

A useful feature of the clearing process is that the ACI and OCL, being familiar with all resources of the research staffs, will be able to arrange joint action of various research units upon appropriate projects, thus in effect adding to the resources at the service of any one office. When necessary they can negotiate with office directors for the formation of interoffice research teams for temporary action on specific projects. The Department in this way will make the most effective use of expert personnel no matter where the individuals may be located.

## *3. Project Lists*

Further advantages flow from this centralized clearing procedure. It will be possible for the OCL to issue a list of projects actually under way and thus at once inform all parts of the Department about forthcoming work, always recognizing that producing units may for security reasons wish to limit such advertising of certain projects. Thereby the attention of various offices will be called to studies which may be of use to them, and duplication will be largely eliminated. While scanning a project, the staff can also prepare a proposed distribution list for the anticipated report which, if agreed to by the producing office, will facilitate rapid dissemination of the report when it is finished. The balance of maximum utilization with security considerations will be further guaranteed by locating in OCL the center for physical distribution of research studies.

## *4. Standards*

Another concern of ACI, for the benefit both of the Department and its "customers," is to maintain the quality and standardize the form of intelligence-research reports. For this purpose, ACI or its Subcommittee on Programs and Priorities will establish standards and expect OCL to examine all finished drafts before they are reproduced, to insure adherence to those standards. Only such editorial review can assure the continuous application of sound scholarship and critical method throughout the intelligence organization. Actual procedures would parallel closely those of preliminary project clearance, with the same mechanism for reference to office directors or to the ACI in cases of disagreement.

In this fashion the ACI and OCL staff, in collaboration with the office directors and their Divisions of Research, will formulate a coordinated program of intelligence research. It will accomplish that program through the mechanism of priorities; it will facilitate production by organizing task groups where necessary; it will maintain quality in the product by fixing standards and exercising editorial review; it will assist in making the product effective by furnishing regular project reports and by proposing and effecting dissemination of studies.

## V. ACTIVATING THE PLAN

It is essential that the plan be put into effect promptly. Subject to availability of funds for the fiscal year of 1947 this appears readily feasible with the exception of the transfer of the geographic divisions of the old Office of Research and Intelligence (ORI) to the appropriate geographic offices of the Department. The controlling factors here are availability of space and the necessity of preserving these research groups as functioning units until the geographic offices are in a position to accomplish organizational integration as called for by the plan.

To provide flexibility during the transitional period, the phasing of the transfer is to be determined by the Assistant Secretary for administration in the best interests of the Department of State as a whole.

### PROCEDURE ON TYPICAL PROJECTS

1. Project Initiated in a Geographic or Research Division (e. g., The Gouin Cabinet—sample of a fairly routine project) :

#### A. PROJECT INITIATION

- (1) Project outlined by appropriate operating division chief.
- (2) Project discussed with chief of Research Division and cleared by office director, with tentative distribution list.
- (3) Project cleared by OCL coordination staff, which recommends and arranges with the office for its collaboration with Biographical Intelligence Division of OCD.
- (4) Distribution list discussed if necessary between OCL and office.

## B. FINISHED TEXT

- (1) Report cleared for substance by Research Division chief and office director.
- (2) Report cleared editorially by OCL, sent by OCL for reproduction, and distributed in accordance with agreed list.
- (3) Requests for the report received after original distribution to be handled by OCL in consultation with office.

2. Regional Project Requested by a Division of A-B or A-C (e. g., The 1948-49 Unemployment Level in Germany) :

## A. PROJECT INITIATION

- (1) Prior discussion will normally have taken place between A-C and DRE representatives on the working level.
- (2) Request goes to OCL through A-C representative on subcommittee or through EUR/DRE.
- (3) OCL approves or disapproves after consultation with EUR/DRE and the A-C representative.
- (4) Distribution list agreed by EUR/DRE, A-C, and OCL.

## B. FINISHED TEXT

- (1) Report cleared for substance by DRE and EUR.
  - (2) Report cleared editorially by OCL, which arranges reproduction and distribution.
3. An Inter-Regional Project requested by A-B, A-C, JIC, NIA, or other authorized agency (e. g., World Opinion on the U. S.; Reactions to British Loan in China, France, U. S. S. R.) :

## A. PROJECT INITIATION

- (1) Request goes to OCL.
- (2) OCL, if it approves and is assured of the participation of other interested offices, arranges for a project coordinator from one of the offices or its own staff.
- (3) Project coordinator arranges for cooperation of division analysts through appropriate directors and division chiefs, constructs distribution list.

## B. FINISHED TEXT

- (1) Report approved by appropriate division and office chiefs and by OCL; reproduction and distribution arranged by OCL.

NOTE.—Projects 1 and 2 would be done entirely in geographic Research Divisions, except for collaboration of B1 on 1.

Project 3 might be done entirely within OCL, but more likely a large contribution of services would be needed from personnel working within their geographic Research Divisions.

Mr. MORRIS. Describe the next exhibit, Mr. Panuch. All these relate to this particular conflict that took place with respect to intelligence reorganization?

Mr. PANUCH. Yes, sir. Exhibit 9 is a letter to me from Mr. Frederick Lyon.

Mr. Frederick Lyon was then in charge of our security intelligence, and he had had great concern over this McCormack plan, and naturally, we sent our plan out to him for comment, and this is his comment.

It is a concurrence.

Mr. MORRIS. And the next, Mr. Panuch?

Mr. PANUCH. The next is my reply to Mr. Lyon, reassuring him that now we hoped that we had the intelligence fight over and that matters would be on a sound basis.

The CHAIRMAN. Those may go into the record and become a part of the record.

(The documents referred to were marked "Exhibits Nos. 268 and 269.")

## EXHIBIT No. 268

MAY 10, 1946.

To: A-R/P, Mr. Panuch.

From: CON, Mr. F. B. Lyon.

Subject: Russell Plan of Intelligence Research Organization.

JOE: I find your memorandum of May 6 to Dr. Langer and its attachment outlining the modus operandi of the Russell plan very much to the point.

Of interest to CON, and in particular FC, is the fact that positive intelligence is completely divorced from the counter or security intelligence. This is, indeed, as it should be.

There is one item that might possibly raise some question, but I may even be misinterpreting when I comment. I refer to the last paragraph on page 5 and, in particular, to the word "exclusive" as relates to the liaison group of the Department with the C. I. G.

During a meeting last week with Bill Langer, it was agreed that I should maintain the liaison on all "security intelligence" activities with the C. I. G. I do not believe that this will conflict in any way with the liaison activities of OCL.

In think that the Memorandum of Organization is clear and it shows that a lot of thought has been given to its preparation.

## EXHIBIT No. 269

A-R/P

MAY 14, 1946.

Memorandum for Mr. Lyon.

Subject: Russell Plan of Intelligence Research Organization.

1. I have your comments on the above. Under the plan, the Special Assistant for Research and Intelligence and the offices under his jurisdiction are limited to positive intelligence.

2. All aspects of security intelligence remain as previously under the exclusive jurisdiction of A-R. This includes, of course, the requisite security intelligence liaison with NIA and all other Federal agencies concerned. The liaison of the Special Assistant applies to positive intelligence matters only.

3. I realize, of course, that even with a clearly understood division of functions, possibilities of overlapping between the two intelligence operations remain. These may be expected to occur most frequently in the field of collection and dissemination of information and in the several levels and spheres of inter-departmental liaison. On the basis of my past experience, I am entirely clear that this "peripheral overlap" can never be wholly eliminated but must be controlled through informal working agreements at all levels.

4. I made the foregoing very clear to Dr. Langer when Dr. Kent and Dr. Fahs first proposed that all intelligence materials should flow through OCD. I had a further talk on the matter with him yesterday. I am sure he fully understands what is expected of his organization in this sort of "team play." So far as you are concerned, you should exercise great care that your liaison arrangements do not block the flow of positive intelligence material through OCD. I assume you have made mutually satisfactory arrangements with Colonel Fearing in this regard.

J. ANTHONY PANUCH,

*Deputy Assistant Secretary for Administration.*

Mr. MORRIS. And the next one, No. 11?

Mr. PANUCH. This is the implementation and structure so far as the organization and the setup of the plan, to one of my assistants, Mr. Lunning.

The CHAIRMAN. It may go into the record and become a part of our record.

(The document referred to was marked "Exhibit No. 270" and follows:)

## EXHIBIT No. 270

AR-P

MAY 20, 1946.

Memorandum for Mr. Lunning.

Subject: Work Plan for Implementing the Intelligence Organization.

1. I have read the paper entitled "Work Plan for Implementing the Intelligence Organization" which was submitted to me this morning. It is a careful paper and, if systematically executed, should go a long way to start off the intelligence operation on a sound basis.

2. Mr. Russell is confident about the money and I believe I have paved the way for Langer with all of the Geographic Divisions so that his "political" problems are relatively minor. He seems to have inherited very little of the ill will which McCormack built up over a period of 7 months.

3. What worries me is the utter failure on the part of Langer and people like Kent and Fahs, to grasp what is involved in the business of setting up an organization and a fortiori the difficulties involved in integrating one organization, i. e., R. & A. into the structure of the State Department. This is a detailed job in which everybody must participate. A plan must be worked out (which you have done), it must be thoroughly understood by all of the people concerned; responsibilities must be assigned to individuals for performance of clearly specified tasks; and finally, deadlines must be fixed.

4. It is all very well for MN, yourself, and even myself, to do a lot of the basic organizational planning and blue-printing for these people, but it will be no good if they don't take hold and carry on where we leave off.

5. Somehow, you must bring home to Langer and right down through his two offices, that organization is the thing to be sweating about now. If they do not force themselves into a state of mind where they are willing to accept integration with the State Department, the intelligence set-up will not work and the whole program will be hopelessly prejudiced. If they cannot understand the relatively simple problems of meshing the research work with the policy work of the Department, how will they ever deploy to do an effective job with C. I. G.?

6. As you know, I have done my utmost to be of help. So far the results of my efforts in terms of penetrating their thinking have been extremely meager. Apparently I cannot convince Langer that he has a person (Huddleson) who is apparently available and thoroughly qualified as a corporate lawyer to do the organizational blue-printing which his other people are unable to do. Huddleson did an excellent job in meshing the complicated organizational relationships between G-2 and Arlington Hall. This work would be a cinch for him.

7. I am disturbed by the situation and unless a radical improvement appears this week in the way Langer takes hold of the organizational problem, we shall have to move in with a task group to do the job which they should have well under way by now. Accordingly, please address yourself to this problem and keep me posted. If no improvement is apparent let me know immediately and I shall take it up with Mr. Russell and the Secretary.

J. ANTHONY PANUCH,  
*Deputy Assistant Secretary for Administration.*

Mr. MORRIS. Now, Mr. Chairman, these documents that Mr. Panuch has offered for the record tell the whole story of this dispute on this intelligence reorganization plan.

In documentary fashion they describe that story.

They are all official documents, are they not, Mr. Panuch?

Mr. PANUCH. Yes.

Mr. MORRIS. I wonder if you would synthesize for the committee this struggle as it took place, and as it is related fully in the documents that we have just put into the record.

Mr. PANUCH. Well, the people coming in from the Office of Strategic Services were of a research character. They were university and academic people and they took the position that our policy would have to be made on a better basis than just making it off the cuff or, as the term used to be, "on the cables"; that you had to have the impact on our policy of people who had time to sit back and think and

look over the entire situation and adjust our national interests to overall international requirements; and that we should, through this unit, build up forward-planning operations.

Senator WELKER. Did the ultimate effectuation of this plan change the standard of determining loyalty?

Mr. PANUCH. No, sir; this plan didn't have anything to do with loyalty. That was a separate problem, security and loyalty.

Senator WELKER. What was the standard before this plan was ultimately adopted?

Mr. PANUCH. Well, as you know, Senator, there was a wartime regulation, a civil-service regulation, which required that any personnel of doubtful loyalty should not be permitted to enter the Federal service, and that they should not be retained in the Federal service.

Now, this was never really administered in any of the departments during the war outside of the State Department, which had a fairly good security arrangement of its own. Now, the result of this merger, so far as loyalty and security is concerned, was this: We had thrown into the Department an enormous amount of unscreened personnel, and our facilities in the Department were simply not adequate to handle thousands of people on field investigations, and, of course, you couldn't at that time request the FBI to do it unless you provided appropriational support for your request.

Now, on loyalty we had tremendous pressure by Congress to do something about cleaning out the Department in 1945 and 1946. I am now referring to the 79th Democratic Congress.

The Civil Service Committee of the House, before whom I testified at length, went into this matter and came up with an insistence that particularly in the State Department, procedures be installed whereby people of doubtful loyalty could not be retained and could not enter a sensitive agency like the State Department.

In 1946, in July, we set up in the Department a mechanism for screening the people who had come in, and all of the personnel, on a security basis. There was a great deal of dispute because the usual issues came up that we were violating civil liberties and exercising thought control and promoting orthodoxy of thinking.

The CHAIRMAN. We have heard all that, too, Mr. Panuch.

Mr. PANUCH. It was current then, too.

I decided that we would set up this program and make sure that it was supported by the best legal opinion. We asked Secretary Byrnes as a former distinguished Member of the Senate and the House and a former member of the Supreme Court to pass upon it, which he did, and approved it, and we installed it. But the conflict about it still continued and in order to really settle it, I decided that the first chance we had to make a test case, that we would take it, and we would submit it to the courts, and we would end this guardhouse-lawyer dispute in the Department as to whether it was constitutional or not.

That opportunity offered itself in the case of Carl Marzani.

Marzani came to us in the Department as head of the Presentation Unit of OSS. Marzani had worked very closely with me on visual presentations to the Congress, and on reorganization of the Department.

I believe in March of 1946, our security people came up with the report on him, that he had been a Communist in 1940. Marzani was a veteran and he had rights of employment, and it was a difficult matter to fire him unless you had the proof on this thing, and proof would involve going through a legal proceeding, and all that sort of stuff, and so we decided that we would ask him to resign.

Well, I asked Colonel Fearing, who was his superior, to invite him to resign, and Marzani said he wouldn't resign and took an appeal to me.

So I conferred with him and he asked me what the charges were and I told him what the charges were.

Incidentally, I wrote an article on this for the record, and it is all there and it is probably better than my recollection.

Mr. MORRIS. Mr. Chairman, I think the preceding witness to Mr. Panuch was Mr. Marzani, and, during the course of the interrogation of Mr. Marzani as a witness, reference was made to an article written by Mr. Panuch entitled "The Marzani Case, the Inside Story of the Marzani Case" which Mr. Panuch had written for Plain Talk in October 1947. The article is not long, and I suggest that the whole thing be offered for the record.

The CHAIRMAN. It may go into the record and become a part of the record.

(The document referred to was marked "Exhibit No. 271" and follows:)

#### EXHIBIT No. 271

[From Plain Talk, October-March 1947-48]

#### THE INSIDE STORY OF THE MARZANI CASE

By Anthony Panuch, former Deputy Assistant Secretary of State

The case of Carl Aldo Marzani, who went from General Donovan's wartime Office of Strategic Services (OSS) into a highly confidential bureau of the State Department, makes an exciting true detective story. As unfolded here for the first time, the Marzani case dramatizes a crucial issue before the American people. Is suspicion of disloyalty on the part of a Federal employee sufficient ground for his dismissal? Does the burden of proof rest on the suspect who should establish his innocence or on the Federal Government which should establish his guilt? Is it a privilege or is it an inalienable right to be a civil servant? These are some of the aspects of the problem of dealing with subversive elements in the Government. Although convicted, Marzani is at this writing out on \$5,000 bail pending an appeal to the higher courts.

The inside story of the Marzani case can now be told. It provides a revealing insight into the problems confronting Government administrators in coping with the menace of Communist infiltration, without wholesale violations of civil liberties and rudimentary standards of American decency and fair play.

The story begins in October of 1945 when Secretary of State James F. Byrnes appointed me Deputy Assistant Secretary of State for Administration and at the same time designated me as coordinator of the merger with the Department of State of such war agencies as the Office of War Information (OWI), Foreign Economic Administration (FEA), and several others. This vast merger, involving close to 25,000 Federal employees, also funds and properties of these war agencies, had to be accomplished in less than 90 days—by January 1, 1946.

It was a homeric task. One of the principal jobs was the "screening" of the war agency personnel thus transferred to the Department of State, in order to determine their suitability for employment in the highly confidential work of the Department. For this purpose the Department maintained a corps of trained investigators, under the experienced direction of Chief Special Agent Thomas F. Fitch.

Moreover, when Secretary Byrnes took office he found himself plagued with organizational difficulties in the investigative setup of the Department, inherited from the preceding regime. One of these was a jurisdictional conflict between the office of Chief Special Agent Fitch and a newly established three-man



security office under the energetic Bob Bannerman. The confusion resulting from this bit of bureaucratic politics did not help the Department's problem of screening the large numbers of transferee personnel.

The screening job became virtually desperate when the sudden and unexpected merger of 1946 literally dumped thousands of new employees on the Department. Carl Marzani was one of those thus transferred to the Department of State as a member of the Presentation Division of the OSS.

I met Marzani early in November of 1946. At that time Col. Carter Burgess, formerly aide to Lt. Gen. Bedell Smith and wartime secretary of SHAEF, was executive officer to Mr. Donald Russell, Assistant Secretary of State for Administration, and myself. Colonel Burgess was working closely with me on a plan for the reorganization of the State Department's antiquated communications system. In this work we were being assisted by Maj. Gen. Otto Nelson, formerly assistant to General McNarney, Deputy Chief of Staff to General Marshall.

As we wrestled with our complex task, all of us agreed that what we urgently needed was a graphic presentation of the reorganization plan in operation. Accordingly we welcomed General Nelson's proposal that the Presentation Division, newly acquired by transfer from OSS, be assigned to take on the graphic display job. The general went on to explain that one of the best men in the Division and one who had worked with him in the War Department and in Italy would "do a job" for us. His name, Marzani. He phoned Marzani and asked him to come over.

In about a half hour Marzani arrived. He was still wearing his sergeant's uniform with the patch and insignia of the Mediterranean theater. He was of medium size, compactly built, with a sallow complexion and an unusual pair of hazel-brown eyes. His motions and mannerisms were quick and nervous, his facial expressions mobile. He spoke expressively, a sort of New Yorkese with an overlay of foreign accent. His response to our difficulties was swift and intelligent. He not only grasped and correctly appraised the complexities of the problem with which we were confronted but came up quickly with his idea of how it could best be translated into graphic form. "Roughs," he said, "would be in our hands in a week." And they were. General Nelson, Colonel Burgess, and I were delighted with the concept of the proposed display.

In those hectic reorganization days of the winter of 1945-46 the "front office" was pleased with the work of the Presentation Division. We called on this Division whenever it was required to illustrate some complex problem of organization. In all of this work Marzani was the "sparkplug." We were grateful to General Nelson for "discovering" him.

But in April of 1946 the long arm of security began to cast its shadow over Marzani. Early that month Bob Bannerman presented me with a batch of files variously stamped "Confidential," "Secret," and "Top secret." These, he explained, were the first concrete results of the Security Office's checks on some of the personnel taken over from the war agencies under the merger. I thumbed through the "Top secret" folders; came to one captioned "Carl Aldo Marzani." Automatically I turned to the covering report and its concluding paragraph, which read: "The Security Committee considers Marzani a grave security risk and recommends termination of his services in the Department."

I could scarcely believe my eyes. This was incredible. I turned to Bannerman and said: "Bob, are you crazy? Marzani has handled some of the hottest stuff in the OSS and in the War Department. Colonel Burgess and General Nelson both knew him, and they would laugh at anyone who said Marzani was a security risk."

Bannerman's reply was: "That may be, but read the whole report."

I did, with an increasing sense of unreality. Carl Aldo Marzani \*\*\* alias \*\*\* Tony Whales \*\*\* member of the Communist Party \*\*\* in New York in 1941 \*\*\* signed petition for the election of Earl Browder as Congressman on the Communist Party ticket \*\*\* wife a member of the Communist Party, name Edith Charles \*\*\* Activities in the American Negro Congress \*\*\* Campaigned against conscription \*\*\* urged revolution \*\*\*

I have read enough. "How good is the proof on this? Has Tom Fitch got the witness?" I asked Bannerman. His reply was that Fitch had not prepared the report, but that its substance was all derived from confidential files of various governmental investigative agencies and considered by him to be reliable. I asked him for his recommendation. It was his opinion that we should terminate Marzani's connection with the Department. I pointed out to him that, under civil service regulations to terminate, i. e., to "fire" Marzani we would have to prefer charges. And in this case the charge would have to be that, since Marzani

was a member of the Communist Party, there was a presumption against his loyalty to the Government of the United States which would require his separation from its service.

It is one thing, I explained, to prefer charges of disloyalty against a Federal employee with civil service standing, an entirely different matter to prove them before the Commission's loyalty board. Particularly in a case like Marzani's, where his record of war service had been glowingly praised by high officers of the supersecret OSS and the War Department. Then, too, Marzani being a veteran of World War II had, under the Veteran's Preference Act, certain rights of appeal to the Civil Service Commission from any adverse determination of the Department with respect to his employment. This was a case where one had to be sure.

While the report was devastating, I was troubled by the fact that it seemed to be based largely on hearsay. I questioned Bannerman more closely. Who had prepared the report? He said Morse Allen, his assistant. I pointed out that Allen certainly could not testify to the charges of his personal knowledge—which Bannerman admitted. I then asked Bannerman whether he himself had gone below the surface of any of the confidential reports from the investigative agencies—had talked to any "flesh and blood" witnesses with respect to the charges. He admitted that he had not; but reiterated that the reports emanated from so-called confidential informants whose identity the investigative agencies supply the information would under no circumstances disclose.

Patiently, I pointed out to Bannerman that in this case the Department was in an unenviable dilemma. Here we had in our hands derogatory information with respect to the loyalty of a State Department employee, one who had access to key information—yet we were not in a position to prefer and sustain charges of disloyalty against him. Somewhat less patiently I explained to Bannerman that our investigative staff, which was costing the taxpayers over \$400,000 a year, ought to be able to prove or disprove charges as serious as these by digging up the witnesses; that we should not be forced to rely exclusively on reports of other agencies—who would not disclose the source of their information.

Bannerman, after some further discussion, agreed this was so. He suggested, however, that possibly Marzani might resign of his own accord if a proper approach was made. This seemed like an excellent idea. Accordingly I told Bannerman to set up a meeting for us with Colonel Fearing (Marzani's immediate superior) to discuss the matter. This was held some time late in April and was attended by Fearing, Bannerman, and myself. We all agreed that if Marzani were "fired" he would fight, and that on the present record we would not be able to sustain the charges. After weighing all the factors it was agreed that Fearing should ask Marzani to resign. Against the possibility of his not resigning when requested, I told Bannerman to coordinate with Fitch and leave no stone unturned in their joint efforts to locate any reputable witnesses who could and would personally testify in support of the charges against Marzani.

A few weeks later the phone in my office rang. It was Colonel Fearing, reporting that Marzani had refused to resign. I asked the colonel for details on what had happened. Fearing replied, "Nothing much. Our talk was short and to the point. He said to me, 'Why should I resign, what's the reason?' I said, 'Security considerations.' He said, 'That's the bunk—I'll take it up with Russell.'"

"So you have him in your lap now," laughed Fearing, and hung up.

And Marzani was indeed in my lap if he appealed to Don Russell (Assistant Secretary of State for Administration). The matter in that eventuality would be turned over to me for my recommendations with respect to the action to be taken by the Secretary of State, since I was in charge of overall security administration under Mr. Russell.

Perspiration rolled down the inside of my starched collar as I laid down the receiver. Could I talk Marzani into resigning? Suppose I could not? In the state of the available evidence we would be "in a box." For if Marzani was in fact a subversive, he would be alerted, and further development of evidence with respect to his activities would be difficult if not impossible. He could and would immediately and effectively "cover up." Since there was no tangible evidence of his Communist affiliations and activities it would be difficult to make a case against Marzani which would stand up even in the Department, to say nothing of an appeal to the Civil Service Commission or the courts. Hearsay was not enough. Secretary Byrnes, as a former Associate Justice of the Supreme Court of the United States, would hardly be one to authorize dismissal of an employee on the serious charge of disloyalty unless such a charge

was supported by clear and substantial evidence. We were a long way from evidence of that kind.

To make the situation more complicated, there seemed to be no other ground on which we could get rid of Marzani. He certainly was not incompetent or insubordinate, addicted to intoxicants, or notoriously immoral.

I did not have very long to wait. During the last week in May, Marzani called my office for an appointment to discuss his "personal status" in the Department.

Marzani came in a little before 10 o'clock on June 1. In the informal way of the State Department we were on a first-name basis. I called him "Carl" and he called me "Joe." We sat down in the two deep chairs by the fireplace. I lit a cigar; he, a cigarette. Watching him, I wondered what his "fade in" would be. He was neatly dressed in a tan gabardine suit with a light-green shirt and a tie of darker green. He seemed entirely at his ease. Except for a pink flush on his cheekbones—which might have been attributable to the heat of a Washington June—and a glitter in his eyes, he showed no evidence of tension or emotion. After a few preliminary amenities he came right to the point. He said:

"Joe, Fearing asked for my resignation on security grounds. Did you know about it?"

I said, "Yes, Carl; I did."

"Did you authorize him to do it?"

I told him I had. There was a silence. I wondered what was coming next. I had not long to wait. "What are the charges?" His voice, usually husky and not unpleasant, now had a metallic ring and his brown eyes seemed to have turned a bleak gray. "I'm entitled to know what the charges against me are."

"You certainly are, Carl," I conceded, "and they are serious." I then listed them, watching him carefully for his reaction. As I reached the end of my recital I thought I detected a look of relief pass over his face. When I had concluded he said, "Is that all?" His comeback to my amazed "Good Lord, isn't that enough?" furnished another surprise. He was almost casual. "Joe, all of that is old stuff; there's nothing to any of it." Before I could even reply that such grave charges could not be laughed off with a bare denial he let me have it.

"How often do I have to prove that these charges are the bunk?" he shouted. "It's the same old stuff that they pulled on me in OSS back in 1943 and it was exploded then as completely 'phony'." He shook his finger at me and asked, "How do you think I could have been rated eligible for a job in OSS if any of this stuff was true?"

He had me there. But here was a chance to get educated. So I asked him, "Well, Carl, how did you get rated eligible for OSS with these charges on the books?"

He paused to light a cigarette; inhaled deeply, and settled back in his chair. He said:

"I'll tell you. Back in 1943 I was in the OSS—just getting started, when the Civil Service Commission rated me ineligible. I went to my bosses, Ed Mason and Emil Despres, and told them what had happened. They went to General Donovan and told him the story; he said he would call up the Commission. I nosed around on my own and found out what some of the charges against me were. When I knew what the score was, I decided to fight it out. I demanded a hearing before the Civil Service Commission's Loyalty Board."

If what Marzani said was true, this was a bold maneuver. He went on:

"I had a formal hearing before the Commission's Loyalty Board on the charges which had been made against me." Pointing his finger at me—speaking slowly—he said, "Joe, these were the very same charges which you've listed this morning."

He paused to let this sink in and continued.

"Well, at the hearing before the Loyalty Board I introduced a complete history of my life in documented form. I myself testified under oath. I called witnesses, people who knew me all my life, people under whom I worked in and out of Government, and they all testified under oath. There is a complete transcript of the record of the hearing in the confidential files of the Civil Service Commission. On that record, which incidentally you should look over in case you're interested, I was entirely cleared of disloyalty charges by the Civil Service Commission and rated eligible for service with OSS."

I was flabbergasted. For if what Marzani said was true I could imagine the cries of "double jeopardy" that would have been raised, to the embarrassment of the Secretary of State and the Department, if we had attempted to fire Marzani in 1946 on the very same disloyalty charges which the Civil Service Commission had dismissed in 1943.

I pulled myself together and said, "Well, Carl, if what you say is true it certainly puts a different light on the matter. I'll have to read the Civil Service Commission's records and we will talk again." With this the conference got off to a discussion of Marzani's experiences in OSS, his prior history, education, and travels.

That 2-hour conference was one I knew would be vivid in my memory for a long time to come.

Early on Monday of the next week I got busy. I wanted to know and know fast whether our security people had seen the Civil Service Commission's record on the Marzani hearing, and, if so, why no mention had been made of it in the security report on Marzani which had been submitted to me by Bannerman. My cross-examination of Bannerman and his aids disclosed that they had not seen the record. Enraged and disgusted, I immediately requisitioned it and read it with the greatest care. There was no question about it—the hearing by the Civil Service Commission's Loyalty Board in 1943 did involve the very same charges which our security people had made against Marzani. After the hearing, the Commission had rated Marzani eligible for employment in the OSS. Marzani's amazing story was true.

Despite this, there was something in the whole setup that did not ring true. The basic testimony in the hearing was Marzani's own, plus "character" witnesses testifying in his behalf. Strangely enough, the Commission had introduced no evidence to support the charges against Marzani.

However, the failure of the Security Office in the Marzani case had shaken my confidence in the operation of the Department's personnel investigation setup. I immediately launched a thoroughgoing examination which disclosed an extremely disturbing situation. While the chief special agent, Tom Fitch, was charged with the duty of investigating State Department employees for security and fitness—a function for which Congress had appropriated funds at a rate of \$400,000 a year—Fitch's operation was being thwarted by the activities of the newly established Security Office. The end product was intrigue—working at cross-purpose—with resulting chaos and irresponsibility.

The investigation also showed that the Security Office had arranged things in such fashion that the Department's chief special agent was excluded from liaison with the FBI: That the Security Committee (a supposedly impartial body whose sole function was to evaluate evidence produced by the Department's investigators and security officers in respect of personnel) was operating under the chairmanship of Bob Bannerman and was composed for the most part of members of his own staff. We thus had a situation where investigators sat in judgment on the quality of evidence which they had gathered—acting not only as investigators but as prosecutors, court, and jury—a kangaroo court. Finally, I found that the Security Committee had excluded from its membership the State Department's outstanding expert on Communist doctrine and subversive techniques of infiltration.

Upon Secretary Byrnes' return from the Paris Conference in July of 1946 and with his approval we overhauled our entire personnel-security operation. The job of investigations of personnel was firmly placed under Tom Fitch, the chief special agent. Bannerman was requested to confine himself to the coordination of Fitch's reports, with such information as might be available at FBI, ONI, G-2, etc. To bolster up the Department's sagging communications and physical security operation, I personally appealed to Gen. Carter Clarke, then Deputy Chief of Staff, G-2, to give us his best security officer. He recommended Col. Stanley Goodrich, who was immediately employed and placed in charge of our physical and communications security system—working directly out of my office. The kangaroo-court Security Committee was scrapped, to be replaced by a group of high officials of the Department whose sole duty was to evaluate the evidence developed by the investigators and make recommendations to the Assistant Secretary for Administration. This time the group included the Department's top expert on Communists and Communist techniques. Mr. Samuel Klaus, a lawyer experienced in the detection and control of subversive activities as a member of the staff of the General Counsel of the Treasury Department, was designated counsel to the new security group. To shield this group from improper pressures in security matters its identity was kept secret. Its membership was designated by secret written order of the Secretary of State. Its counsel was appointed by similar order.

By the end of July 1946, I was confident that the blueprints of the new security setup in the Department of State were as good as experience and skill could contrive. But we had to get the organization out of the blueprint stage and into operations.

Throughout the first 6 months of the year Members of Congress had been demanding a purge of alleged subversives in the Department. Indeed, late in June of 1946 the Appropriations Committee of the Senate tacked the so-called McCarran rider to the Department's appropriation bill for the fiscal year 1947. This rider, which had been prepared by me at the request of Senators McCarran and Bridges, gave the Secretary of State the power to dismiss any employee of the Department without regard to civil-service rules or regulations if, in the Secretary's discretion, such action was warranted in the interests of the Government. Both Senator McCarran, chairman of the committee, and Senator Bridges, the then ranking Republican member (now chairman), told me in no uncertain terms that they expected the Department to use the power thus granted. Since Secretary Byrnes' policy was that even under the rider he would not dismiss an employee for reasons of disloyalty unless there was some substantial evidence of such disloyalty, it was up to the new security organization to do a job of getting the evidence.

As Security Counsel, Klaus and Chief Special Agent Fitch started the tremendous job of reinvestigating several hundred selected security cases. I did not hear much about Marzani—although his case was high on the priority list—until September of 1946. Early that month Klaus came to me and requested permission for Agent Fitch to send a strong task force to undertake a thorough combing of the secret records of the New York City Police Department.

I gave the mission my hearty approval and asked to be kept fully and currently informed of progress.

Our first real "paydirt" in this effort came late in October. Sam Klaus reported to me that our investigators had found some interesting data on "Tony Whales" in the secret records of the New York Police Department's antisubversive squad, a unit organized by Mayor LaGuardia for the sole purpose of infiltrating Communist activities in New York during the war. A few days later Klaus reported that these records appeared to bear out the charges involving Marzani's Communist activities.

We were on a warm trail at long last. Our men went into high gear. Klaus and Fitch had their staff analyze and follow through on the reports. Their author, a college-bred Negro detective, Archer Drew—later to become the star witness against Marzani—confirmed the story of the records in minute detail. Finally, under close questioning, he described Tony Whales. The description checked remarkably with that of Carl Marzani. I directed that we obtain immediate and unequivocal identification of Marzani as Whales.

Klaus obtained three separate photographs of Marzani and inserted each in a panel of other pictures of people with somewhat similar cast of features. These were taken from Washington to New York, and Archer Drew was asked whether Tony Whales appeared in any of the panels. Each time he unerringly and instantly identified Marzani as Tony Whales.

At this point, and for the first time in the case, the efforts of Klaus and Fitch had produced a "flesh and blood" witness who could and would testify as to Marzani's Communist affiliations and activities. For the first time we had positive proof that Marzani had lied about his Communist affiliations to the FBI in 1942, to the Civil Service Commission in 1943, and to the Department of State in 1946. In the case of the FBI and the Civil Service Commission, where his statements had been given under oath, he had committed perjury. Unfortunately, a criminal proceeding was barred by the Federal statute of limitations, which requires action to be started within 2 years of the commission of the crime.

The best remaining basis for criminal action against Marzani appeared to be his willful concealment of his Communist membership, affiliations, and activities in connection with his employment in the State Department. However, the Federal statute on this type of fraud had never been tested in court in a loyalty case, and there was some doubt among the Department's lawyers as to whether criminal prosecution would be successful. Klaus and I concluded, however, that this was a case in which the statute clearly applied.

We also felt that if prosecution in the Marzani case was successful it would immeasurably help in the solution of the problem of subversives in the Federal Government. It has been my experience that subversives find it not too difficult to remain in the service of the Government through the simple expedient of concealing their real affiliations and sympathies. They correctly discount the chance of detection as improbable—involving usually an "induced" resignation. Even in the event of dismissal it was not too difficult to find another "billet." But, if such misrepresentation or concealment involved a real danger of criminal

prosecution and a definite possibility of a term in the Federal penitentiary. Klaus and I felt that there would be an exodus of Commies, fellow travelers, and other subversives from the Federal service.

The first step was to obtain the Secretary's authority for Marzani's dismissal and his approval of our reference of the matter to the Department of Justice. This had to await the Secretary's return to the Department after the completion of the work of the Council of Foreign Ministers. In the meantime, we were feverishly developing evidence of Marzani's communistic activities in New York.

Despite our utmost efforts to prevent Marzani from becoming aware of these activities, he managed to get word, through his Communist contacts in New York, that something was "cooking." He called on me on November 15 to tell me that he was "tired" of being persecuted and that he had decided to resign from the Department and enter private business. It was apparent to me that Marzani knew he would be fired and he probably would be prosecuted for his fraud in concealing his Communist connections. It was smart strategy for him to "resign" before dismissal and indictment.

I listened noncommittally. It was too late for Marzani to resign. His case was even then—out of my hands—on its way to the Security Committee, and then to Mr. Russell and finally to Mr. Byrnes for action. When he left I immediately issued orders that his resignation was not to be accepted. So far as the Department of State was concerned, Marzani could not be permitted to resign. The Department was in possession of evidence indicating that he had committed a crime. Accordingly, it was obvious that he had to be dismissed under the McCarran rider in the best interests of the Government. After that his case had to be referred to the Department of Justice.

On December 20, shortly after the Secretary's return from New York, I was authorized to sign Marzani's notice of dismissal under the McCarran rider. This was sent to him by registered mail the same day. Shortly thereafter Sam Klaus was authorized by Mr. Russell to present the matter to Attorney General Tom Clark. Immediately after his conference with Klaus the Attorney General ordered presentation of the matter to the next grand jury, and the case was assigned for preparation to John R. Kelley, Jr., Special Assistant to the Attorney General.

At the outset Kelley was somewhat dubious of the chances of obtaining an indictment, much less a conviction, in the case. As he saw it, the law of the case depended on the untested fraud statute. Furthermore, there were really only two key witnesses to sustain the case—Archer Drew, the New York City police detective, and myself. In a critical case of "first impression" such as this, involving all sorts of political dynamite, any prosecutor likes to have an abundance of evidence and plenty of good witnesses. Kelley was no exception. It was Sam Klaus, working in close cooperation with Kelley, who slowly but surely overcame the latter's doubts. Klaus brought Drew down from New York and, after one conference with the detective, Kelley knew he had a potential star witness. He decided to proceed full steam ahead.

The grand jury was impaneled and, after hearing Detective Drew, myself, and others, promptly handed down an indictment on 11 counts against Marzani. As the slow but inexorable process of Federal justice began to catch up with Marzani, the Communist Party high command began to take an interest in the case. They knew that a conviction in this case would mark the beginning of the end of their subversive operations in the Government.

During the period that the case was awaiting trial, Marzani was kept under strict surveillance. He was in constant communication with key Communists throughout the country. While he was represented by Washington counsel, we knew the real strategy of his defense was being developed by the party's brain trust in New York. Finally, early in May the case was reached for trial and "all the chips were down." Failure to obtain a conviction was certain to send the President's \$25 million employee-loyalty program floundering on the rocks of administrative uncertainty.

The opening court skirmish turned on the selection of a jury. The counsel for the defense repeatedly excused the "solid citizen" type of prospective juror. The jury, as finally impaneled, included nine Negroes. We knew that Marzani intended to stress his activities in the American Negro Congress as benevolent rather than subversive. While the prosecution felt that Marzani did not have a chance of acquittal on the evidence that would be produced against him at the trial, there was always a possibility of a "hung" jury, for it takes just one juror to bring about a disagreement and a new trial.

Marzani and his counsel were obviously elated. They evidently felt that the possibility of a disagreement was excellent. They literally exuded confidence as the trial began. From my own experience in the trial of many cases in the courts of New York, I shared somewhat the prosecution's fears with respect to the outcome.

The trial opened sleepily. The Government prosecutor, Mr. Kelley, was the soul of caution. He leaned backward in his efforts to introduce nothing in evidence that would give rise to the slightest possibility of error. It was sound strategy to undertry the case. If the Government attempted to bear down, Marzani would undoubtedly raise the cry of "Persecution."

On about the fourth day of the trial I was called as the Government's first chief witness. The substance of my direct testimony was brief. First, my official position in the Department of State, its scope, my responsibilities in the field of security, my relationships with Marzani the time that I first learned of any derogatory information about him involving his loyalty. Then Prosecutor Kelley came to the heart of the case—my conversation with Marzani on June 1, 1946. The climax came when I told the story of the Department's development of the real evidence of Marzani's Communist relationships and activities, in October-November of 1946, and his prompt dismissal under the McCarran rider in December.

As the defense attorney rose to cross examine, I wondered, sitting in the witness chair, what his tactics would be. For obviously it was vitally necessary for the defense to overcome the effect of my testimony. After a few ineffective efforts to shake my recollection (a preliminary cross-examination routine) the defense attorney got down to business. First he repeatedly brought out that there had been no one present at the June 1 conference except Marzani and myself. Then he produced a paper prepared by Marzani which purported to set forth what was said by him and by me at the conference of June 1—all in direct quotes.

As the defense counsel read to me, statement by statement, what I allegedly had said and what Marzani claimed he had said, I began to grasp the pattern of the defense strategy.

If the jury believed Marzani's version of the crucial conversation of June 1, it followed that he and I had never discussed the question of his loyalty or his Communist activities and affiliations. We had discussed, according to him, the folly of the Department's "anti-Soviet" policy and agreed that it was bad. We, according to Marzani—deplored J. Edgar Hoover's "witch-hunting" and that of certain Members of Congress. We allegedly had agreed that the real security risks in the Department were the so-called "liberals," who "blabbed out State Department secrets at cocktail parties and to newspaper columnists." The first thing to be noticed about this anticipatory cross-examination was that it followed the Communist Party line—to attack a firm foreign policy as anti-Soviet; to smear J. Edgar Hoover and Members of Congress as witch-hunters; to divert suspicion to liberals as the real subversives. Marzani was putting on a show for the comrades.

But he was also laying the foundation of his defense, in which he hoped the sole issue would be his word against mine. If the jury believed his story that we did not discuss his Communist Party affiliations and operations on June 1, then Marzani did not lie about them to me in my capacity as an official of the Department of State, and an acquittal was likely to result. If he as much as convinced one juror, there would be a disagreement and a new trial. This could go on ad infinitum until the Department of Justice eventually nolle-prossed the case out of sheer weariness and frustration.

My hunch on the strategy of the defense proved quite accurate. As the case progressed, Marzani's plan to confuse the issues in the mind of the jury became more and more apparent, always coupled with the tacit insinuation that he was being framed by the Government to provide a Roman holiday for the witch-hunters in the Republican Congress. The "pitch" was having real effect on the jury and even on the press correspondents.

Fortunately Prosecutor Kelley had some aces of his own to play. Marzani, of course, knew that the key witness to his communistic activities was Detective Archer Drew. But what he did not know was that through the unremitting efforts of Sam Klaus and Tom Fitch the prosecution had on tap two former members of the Communist Party who—prior to their expulsion—had known Marzani as a Communist and who were prepared to identify him as Tony Whales. Kelley decided to put these two witnesses on the stand before he climaxed his case with Archer Drew.

This brilliant handling of the case paid dividends. Marzani was shaken to be identified in open court as Tony Whales by two former members of the Communist Party. And he could attack this testimony only by arguing that a Communist can never be believed even under oath—a line with extremely dangerous implications to his own case. By this time the case had reached its high point of suspense. The jury was alert. The newspapermen who, up to this time, had been taking a restrained view of the testimony, were now taking copious notes. Prosecutor Kelley, now fully warmed up to his work, unfolded his climax carefully.

First he introduced the testimony of Lieutenant Gallagher, a distinguished-looking veteran of the New York Police Force. Gallagher testified how in 1940, under orders from Mayor LaGuardia, he had set up an "undercover" operation for the sole purpose of penetrating the Communist organization in New York City. A most important part of the mission of this group, he explained, was the detection of subversive operations among the Negro groups in New York. For this assignment a Negro detective was required. After careful study of all available candidates, Gallagher testified, Archer Drew was selected for this delicate and vital job.

With this introduction, Archer Drew took the stand. He identified his official reports on Marzani's activities which, 4 years ago, he had filed in police headquarters. Under careful questioning he then launched into a description of his undercover operations. He told the story of how he joined the party and was given the party name of "Bill Easley"; how "Tony Whales" and he became friends; how he visited Tony and his wife "Edith Charles" at their apartment. He recounted how Tony told him of his boyhood struggles, of his fight to get an education, of his entry into Williams College, of his studies in England and his trip around the world. Drew painted a vivid picture of the close relationship existing between himself and Tony Whales; of their frequent discussion of the objectives of the Communist Party and the best methods of their achievement.

At the conclusion of this testimony, Prosecutor Kelley asked Drew to say whether Tony Whales was in the courtroom. Unhesitatingly Drew pointed to Marzani and cried, "That's Tony—that's Tony Whales."

The effect of Drew's identification of Marzani and Tony Whales was electrifying to the jury. Even the most laconic of the press correspondents were writing feverishly; some were rushing out of the courtroom to flash the news to catch the late edition of the Washington afternoon papers. Marzani, his sallow face an ashen gray, was whispering excitedly to his lawyer who was shaking his head doubtfully.

After the defense's cross-examination of Archer Drew—which merely tightened the noose about Marzani—the Government rested its case.

The trial dragged on for several more days, through a procession of character witnesses, climaxed by Marzani's hysterical testimony in his own behalf, which was riddled by Prosecutor Kelley's cross-examination. But for all practical purposes, Marzani's fate was settled when Drew pointed him out.

After both sides rested and the lawyers summed up, Judge Keech instructed the jury in a charge which was a model of fairness. The jury retired; elected a foreman; returned with a conviction of Marzani on all 11 counts. "School was out" for Carl Aldo Marzani.

With Marzani's conviction a fait accompli, I was off on a long-delayed mission to Germany. On the airliner I opened the current issue of Newsweek and was somewhat surprised to see a picture of Marzani leading off the Marzani case for so long that I had become numb to its significance as a matter of public interest. To me, aside from its element of counterespionage, the case represented a difficult technical problem in the arduous but unspectacular business of developing a basic criminal sanction on which the Government could build an effective counterinfiltration program.

As I read the arresting caption under Marzani's picture, "His conviction gave the Government hope," I could not help wondering whether the average reader would realize the tremendous amount of planning, professional skill and sheer tenacity on the part of all concerned which had been required to convict Marzani the hard way—in open court and before a jury virtually of his own choosing.

Senator WELKER. May I proceed with a couple of further questions?  
The CHAIRMAN. You may.



Senator WELKER. You have placed in the record by your oral testimony and by documentary testimony the relationship of Schwarzwald and Appleby.

Now, did you ever have occasion to learn that Mr. Schwarzwald sought to replace J. Edgar Hoover as head of the Federal Bureau of Investigation?

Mr. PANUCH. There was talk of that in the newspapers, sir, but it seemed fantastic to me. I never paid much attention to it.

Senator WELKER. Now, I will ask you this about Mr. Appleby: Did you ever see over his signature a statement, and I quote:

A man in the employ of the Government has just as much right to be a member of the Communist Party as he has to be a member of the Democratic or Republican Party?

Mr. PANUCH. Sir, I believe I read that in a publication by the United States Chamber of Commerce in 1947.

Senator WELKER. Did you ever read it in the Congressional Record?

Mr. PANUCH. No, sir; I did not.

Senator WELKER. In a speech made by Mr. Bradley, of Michigan, reported in the Congressional Record, 1946, July 18?

Mr. PANUCH. No, sir; I did not. But I believe that the statement in the United States Chamber of Commerce was based on the Congressional Record statement.

Senator WELKER. I see.

Mr. MORRIS. Mr. Chairman, we do not have a copy of the original statement referred to in that particular Congressional Record. We do not have that.

Senator WELKER. But it is in the Congressional Record here, and I believe that it should be inserted.

The CHAIRMAN. I direct that the staff try to find the original statement and insert it in the record and make it a part of our record.

Senator WELKER. Well, it is a part of the record, since I read the statement.

The CHAIRMAN. I want the original statement.

Senator WELKER. Very well.

(The quotation referred to by the chairman follows:)

[From the Congressional Record—House, July 18, 1946, pp. 9389-9390]

Mr. BRADLEY of Michigan. Appleby has under him a gentleman by the name of George F. Schwarzwald, who was sent out to streamline the intelligence departments of the Army, the Navy, and the State Department, and he said that the records of the Communists in those files should have a "lean and hungry look," and so they have been pulled out and destroyed.

He also sought to replace Mr. J. Edgar Hoover, head of the Federal Bureau of Investigation. Should the FBI files be pulled, we would never have a record of any of the Communists who now seek employment with the Government. The point of the matter is that Mr. Paul H. Appleby, in a communication over his own signature, which I have seen stated—

"A man in the employ of the Government had just as much right to be a member of the Communist Party as he has to be a member of the Democratic or Republican Party."

If Mr. Appleby should be proposed as Director of the Budget to succeed the very splendid man who left a short while ago to accept a better position, then I suggest, in the interest of real Americanism and in the interest of the soundness of this Government of ours, the Senate had better give pretty careful consideration to Mr. Appleby's philosophy of government before confirming such an appointment.

Mr. MORRIS. Mr. Chairman, Mr. Panuch was talking about the Marzani case and made reference to the article. But I think, Mr. Panuch, that if you would tell us in detail some of the problems presented to you as Security Officer by the Marzani case, you would go further than that particular article, judging by what I know of your executive session testimony and the article.

Mr. PANUCH. I told him what the charges were and Marzani said those charges had been made in 1942 when he was going into OSS, and that he took it up with General Donovan and asked General Donovan to appear before the Civil Service Commission and meet these charges head-on; and he said that after appearing before the Civil Service Commission he had been made eligible for service in the OSS.

And I said, "What proof do I have of this?" and he said, "Well, you can requisition the stuff in the Civil Service Commission and look at it."

So I looked at the record, and, as a lawyer, the thing that struck me was that the record was not complete in the sense that there was nothing there of the information on which these charges against Marzani had been made.

So I then ordered an all-out investigation so that we would either have it one way or the other, and we found that evidence in New York in the counter subversive unit set up by Mayor LaGuardia in the police department, and that gave us Mr. Drew, who had penetrated the American Negro Congress in which Marzani was operating, and gave us a series of—

Mr. MORRIS. He had penetrated for the Department?

Mr. PANUCH. For the police department.

Mr. MORRIS. True, yes.

Mr. PANUCH. There was no question but that he had fully identified Tony Whales, which was Marzani's party name, as the man who was infiltrating the Negro congress. The only question then was whether he could identify him, which he did by means of photographs.

Having had the original McCarran rider attached to our appropriation, it enabled us to dismiss people in the best interests of the Government, and we made up our minds to dismiss him.

Before I had a chance to dismiss him, he came to the office and told me he was being persecuted and wanted to resign. I told him to relax, and, when he left, I immediately advised that his resignation should not be accepted.

Mr. MORRIS. In other words, you wanted to make a test case?

Mr. PANUCH. That is right.

Mr. MORRIS. And the purpose of making a test case was to establish some sort of security?

Mr. PANUCH. We then sought his indictment. We couldn't indict him for perjury because he hadn't committed perjury, but he had lied to me in connection with his Communist affiliations.

Mr. MORRIS. In other words, his statements were not under oath to you?

Mr. PANUCH. That is right. We indicted him under the Frauds Act. We dismissed him in November. We indicted him in December and we convicted him in May of 1947. Rather, we indicted him December 1946 and convicted him in May of 1947.

That case went up to the court of appeals, and it was sustained on the issue as to his lying in the State Department, and the counts of perjury to the FBI in connection with the OSS appointment were dismissed.

It went to the Supreme Court on two separate appeals, and each time was sustained 4 to 4.

Mr. MORRIS. In other words, the circuit court had upheld the conviction and the Supreme Court upheld it by the 4 to 4 vote?

Mr. PANUCH. That is right.

The effect of that, sir, if I may completely wrap it up, was that we had established a criminal sanction. In other words, you can't find out anything about subversives unless you can rely on the statements they make as to their past history with respect to their employment. Now, if you don't have a criminal sanction they can make any kind of a statement and there is no way that you can do anything about it; but if you have a precedent that he is going to spend some time in the Federal penitentiary, you know that you are going to get a clean card when he submits his information questionnaire, and then you are in a position where you can act on an enlightened basis as to whether the man is a loyalty or security risk or not.

Mr. MORRIS. And that is why you went as far as you did?

Mr. PANUCH. That was the purpose.

Mr. MORRIS. Will you tell us what were the security problems that faced you at that time? That is, in determining loyalty of the particular employees in the State Department?

Mr. Chairman, this particular series of questions I think is important for our overall hearings on internal security.

Mr. PANUCH. Well, first of all, there was the problem of scope. This was an enormous amount of people that had to be screened. That was No. 1. We had a small staff, a good one, but our appropriation was only \$400,000 and you can't do much in the way of field investigation with that. If we attempted to do that on our own, why, we would have been in the game for 40 years. There were two issues, and Mr. Byrnes always believed that no agency should do its own investigation, that all of these investigations should be done by the FBI, and that there should be one special place to do all investigations, that the FBI had the facilities, they had the confidence of the public, they had the confidence of the Congress, Hoover was an outstanding man with a good staff, good discipline, knew the subject, and really should do the job for all agencies. And in the headquarters Army Service office, we relied on Mr. Hoover. That was one problem.

The other problem was criteria which was very, very difficult, and the difference between loyalty, as such, and security. Now, subversive infiltration essentially is a revolutionary operation. To me, a man who is out for espionage is pretty easy to control by counter intelligence, but the man who is in there to influence your policy or to misdirect your policy, to immobilize your policy, is a far more dangerous person. Yet, from the standpoint of security, like getting drunk, or leaking out information or playing around with agents, and all that stuff, he may be thoroughly loyal. So there was the problem about loyalty and security, and, of course, that required, if you are going to approach it on an institutional basis, as good an application of the jury system as we could get in an administrative operation. It was desirable that this man be tried by a jury of his peers.

Now, by that I don't mean people in his own section, but people who had no connection with him in the Department who were sufficiently knowledgeable and with a good sprinkling of lawyers to determine what is relevant and material, and so forth, so that they could make an evaluation of a man's loyalty and security, or the cases where loyalty overlapped security. Then to give him his administrative due process, he had the right to be presented with charges, and the nature of the charges, and things of that kind; make statements of his own before the Board; and, of course, have his appeal to the Secretary of State. That was the machinery which we set up, and it was a competent organization and the only one of its kind in the Government. Its work was carefully done, but it did not last long. It was superseded in 1947 by the Government-wide program and its personnel dispersed.

Mr. MORRIS. By the Government-what program?

Mr. PANUCH. The Government-wide program, the so-called 1947 President Truman's loyalty program.

You see, we applied the reasonable doubt test of loyalty. Basically that meant that if there was a doubt as to a man's loyalty, that doubt was resolved in favor of the State Department as against the employee.

What happened in the new program of 1947 was that they put in what I call the overt-act test. They specified that in order to dismiss a man for disloyalty or to make him ineligible on loyalty grounds, there had to be reasonable grounds to show that there was present disloyalty.

Mr. MORRIS. In other words, it had to be present disloyalty?

Mr. PANUCH. Present disloyalty.

Mr. MORRIS. Under standards of that nature, suppose you showed that a man was an important Communist agent 6 months ago.

Mr. PANUCH. It would be a close question.

Mr. MORRIS. A close question—I see.

Would you tell us how they would apply such evidence as that?

Mr. PANUCH. Well, now, it is a subjective question, Mr. Morris, but it wouldn't be a very close question to me. I would say 6 months was present, but many other people who didn't want to fire him would say, "Well, that is not present disloyalty. He has changed his mind."

Mr. MORRIS. Under that standard now that you have been describing, very often, in order to find evidence of a particular act, you get direct evidence of activity on the part of some agent, and you have to look over the whole course of his career, and possibly, if you are lucky, you will have some evidence along the line; if you are lucky, as in the case of Alger Hiss. Whittaker Chambers happened to know him in 1938.

Applying that standard, do you think there would be any effective discovery of Communist agents?

The CHAIRMAN. The overt act.

Mr. PANUCH. Absolutely ineffective.

Mr. MORRIS. As you describe it, it sounds hard to use.

Mr. PANUCH. Almost impossible. You can never get the evidence.

The CHAIRMAN. In other words, while you were there in the State Department, the security check program continued to deteriorate?

Mr. PANUCH. Well, let me put it this way: It was deteriorating when I came in there because of this transfer. We tried to do something about it but in 1947 they put us out of business.

The CHAIRMAN. I see.

Mr. MORRIS. So all these unscreened people that—

Mr. PANUCH. Stayed right in.

Mr. MORRIS. Stayed right in. Now, in connection with the Marzani case, were you acquainted with the Presentations, Inc.?

Mr. PANUCH. I certainly was.

Mr. MORRIS. Would you tell us something about that? We asked Mr. Marzani about that and he gave us precisely no information.

The CHAIRMAN. It was the fifth amendment, was it not?

Mr. MORRIS. Yes, in every question.

Mr. PANUCH. I must say to you gentlemen that I found out about the Presentations Associates very late in the game in the State Department.

Marzani was a very, very brilliant fellow, and on the side he had one of the best equipped visual presentation operations ever seen in the Government. He was a genius. He had unlimited funds under the OSS, and with this agency he did work for the War Department on the most complex presentations of military matters during the war. He had letters of recommendation from important members of the General Staff, and all that stuff. On the side he was using these assets, governmental assets, in a private enterprise of his own for money, and we found out about it in our investigation in October of 1946 when the Presentations Associates had made up a political documentary for the Communist-controlled union in the United Electrical Workers. This, of course, raised a tremendous issue. We didn't know whether there was a crime involved or what, but we certainly knew that there was a terrific civil misdemeanor. So we liquidated the people, and Presentations Associates, although we couldn't convince the Department of Justice that there was an indictable crime. I personally think there would be grave doubts whether there was—I don't know. That is the story on Presentations Associates.

Mr. MORRIS. To go back to some matter that we have already covered:

Did the organization of the United Nations have an effect on the State Department's foreign policy mission?

Mr. PANUCH. Yes; it shifted the foreign policy process of formulation of the State Department from a geographical, country-to-country basis in which the test of your policy is national interest, to international considerations, which completely diluted the factors of enlightened self-interest.

Mr. MORRIS. Now, would you enumerate the basic problems of policy and reorganization which the merger in the United Nations organization presented? First, where did the concept for the merger originate?

Mr. PANUCH. Well, the concept for the merger originated in the Bureau of the Budget. I would say that roughly there were about 10 problems, policy and organization, that were basic when I came into the Department, and which had to be solved.

I would say the first one was getting policy control over the operating units that came in, like OWI and so forth, and when I talk about

policy control, gentlemen, I couldn't possibly do justice to the mutinous conditions which prevailed in the Department.

These people came in there and were telling Foreign Service officers that they were going to be purged in the new regime, and all that sort of thing. I had to stabilize it; and when I say "policy control," I am understating it. I could use "control."

There was the question of what type of U. N. participation would we have, and who would have a voice in our participation in U. N. policy in the Department. In other words, let's say you had a British question coming up in the United Nations. Well, would the British affairs desk in the Geographic Division be consulted? And suppose Mr. Alger Hiss or somebody disagreed with the Geographic Division, who would decide and what would be our policy?

You had to get the blueprints on that. That, I think, is outlined in General Nelson's report. It is stated there as a prime policy issue.

Another one I have mentioned is the scope of the intelligence mission at the national level, and within the Department itself, the question being on both points the preemption of foreign policy; whether you could do it through the outside by control of intelligence through Treasury, go to ONI and all that stuff, and then impact it in the Department, or whether you keep that out; and, of course, whether you would have the Central Intelligence researchers take over the intelligence desk in the Department.

Then, of course, the Foreign Service Act. I think I might spend a little time on that as to what happened, and it shows you one of the problems that we had.

I assigned the draft of legislation to a committee of Foreign Service officers to process, and the instruction I gave them was: "Make sure that you get the best thinking in the Government and in the universities on this thing, and make sure that you work closely with the various chairmen in the Foreign Affairs Committees in the House and Senate."

They did that, and had their own staff board of senior Foreign Service officers, which advised them on organizational methods, retirement, actuarial rights and policies, and personnel examinations. We did manage to come up with a pretty good bill which went through both committees of the House and Senate, and we finally got that approved by both Houses, with just one dissenting vote. Then we had the final job of getting it concurred by the Departments in interest, like Commerce and Labor, and so forth.

We had a few nonconcurs, which we managed to resolve by accommodations, and finally, just as it went over to the President—and this being a very historic action for the Foreign Service, I made arrangements that we would have our pictures taken with the President and the presentation and that sort of thing; and after a while I found out that the people in the White House weren't answering my telephone calls, which is a very bad situation for any departmental officer to get into.

Then finally, about 2 days before this act would lapse, Dean Acheson came to my office and said, "I have been talking to Clark Clifford," who was then the President's counsel, "and the President is in doubt about this act because he doesn't know whether it is a good thing or not."

This was Saturday—I will never forget this.

So we went over to see Clifford and talked to him about it and said Mr. Byrnes had worked for this thing and both Houses of Congress had passed it with but one dissenting vote, and the departments had cleared it, and what was wrong with it?

Well, the Bureau of the Budget had filed one of these reports on it, which damned it with faint praise, and it was enough to create a doubt in President Truman's mind, and he insisted that we set up an intercom with Mr. Byrnes, who was in Paris, to make absolutely certain that he was for the act. And it was in this intercom that Mr. Byrnes assured Mr. Truman that this was the act he had worked on for a year, and he ought to sign it, and Senators Vandenberg and Connally also joined in the recommendation. So it was signed at the eleventh hour.

The reason they didn't like it was we insisted on good standards of criteria for the entrance of Foreign Service officers, at a junior grade, and for very strict criteria on entry into the Foreign Service of officers from the agencies, and that was where the issue was, with the Bureau of the Budget.

The other questions—those are needed for the modernization of the Department, communications and physical security, budget and finance operations, that we did with everything except the budget, we couldn't get hold of that one, not within 2 years.

We managed to move the Department from the old State Building into the new building where it is now, and then there was a need for a complete study of the policy patterns on the Department that had been built up over a period of years, and we launched a study which analyzes the organization, the structure, the makeup and the increments in the Department at several phases in its history, starting from 1806 to 1946. That is done by a set of very interesting charts which I am sure would be of assistance to your committee in its report. That was done under my supervision.

Mr. MORRIS. Mr. Chairman, the staff has gone over with Mr. Panuch the charts mentioned by him. They are very informative, rather concisely set together, and I would recommend that they go into the record, because they do seem to be valuable.

The CHAIRMAN. They may go into the record and become a part of the record.

(The document referred to was inserted in the appendix of the record.)

Mr. MORRIS. There is one report on the organization of the Department of State which contains a history of the State Department, which I think would be important to our record.

It is starting in 1806 and in relatively few pages shows how the State Department expanded from 1806 to the time of its publication in 1946.

The CHAIRMAN. It may go into the record and become a part of the record.

(The document referred to was inserted in the appendix of the record.)

Mr. MORRIS. On pages 39 to 40 in this same volume there is set forth a description of the Department, of the Special Political Affairs Department, that is pertinent to the testimony that is given here today, by Mr. Panuch. I would like that also to go into the record.

The CHAIRMAN. It may go into the record and become a part of the record.

(The document referred to was inserted in the appendix of the record.)

Mr. MORRIS. May they go into the appendix?

The CHAIRMAN. They may go into the record appendix.

Senator WELKER. May I ask Mr. Panuch a question?

The CHAIRMAN. Senator Welker.

Senator WELKER. Are you familiar with Mr. Berle's testimony, given in the Congressional Record, page 1296 of the Congressional Record?

Mr. PANUCH. I read it at the time, sir.

Senator WELKER. Tell us, who was Mr. Berle?

Mr. PANUCH. Adolf Berle was the Assistant Secretary of State for Administration, and I believe he held that position from 1936 to 1944. Precisely, he had the job that Mr. Russell had, who was my immediate superior during that period.

Senator WELKER. I will ask you is it not a fact that he testified to the effect that there was a pro-Russian group in the State Department, spearheaded by Dean Acheson and Alger Hiss? Is that what you read of his testimony?

Mr. PANUCH. Yes, sir.

Senator WELKER. Does that testimony coincide with your impression?

Mr. PANUCH. I would definitely say that Mr. Acheson and Mr. Hiss at the time that I was in the Department were sympathetic to the Soviet policy.

Senator WELKER. And I take it that you have read Robert Sherwood's book, Roosevelt and Hopkins, where many times that same conclusion was referred to, about the pro-Russian group in the State Department, and their feelings thereon?

Mr. PANUCH. Yes, sir.

Senator WELKER. I think I have no further questions.

The CHAIRMAN. I would like to make one point here. In relation to your dealings with and the recommendations of the Bureau of the Budget, is it your impression that this same pro-Communist influence might have been there?

Mr. PANUCH. Well, sir, I don't know whether it was pro-Communist or not, but it was certainly pro-Soviet and pro-International.

The CHAIRMAN. All right.

Mr. MORRIS. Senator Welker made reference to testimony given by Mr. Berle before the House Un-American Activities Committee.

Mr. Mandel, would you read that precise portion from that actual testimony?

Mr. MANDEL. It is the testimony of Adolf Berle, Jr., before the House Committee on Un-American Activities, on August 30, 1948, published on page 1296 of the hearings of that body:

Mr. BERLE. As I think many people know, in the fall of 1944 there was a difference of opinion in the State Department. I felt that the Russians were not going to be sympathetic and cooperative. Victory was then assured, though not complete, and the intelligence reports which were in my charge, among other things, indicated a very aggressive policy not at all in line with the kind of cooperation everyone was hoping for, and I was pressing for a pretty clean-cut show-down then when our position was strongest.



The opposite group in the State Department was largely the men: Mr. Acheson's group, of course, with Mr. Hiss as his principal assistant in the matter. Whether that was a difference on foreign policy—and the question could be argued both ways; it wasn't clean cut—was a problem, but at that time Mr. Hiss did take what we would call today the pro-Russian point of view.

Mr. PANUCH. That is a fair statement of the situation in 1945, 1946, when I was in the Department.

Mr. MORRIS. Based on your experience in the Department?

Mr. PANUCH. Yes.

Senator WELKER. Mr. Chairman, may I have another question?

The CHAIRMAN. Senator Welker.

Senator WELKER. Mr. Panuch, a moment ago we referred to Mr. Acheson and his pro-Russian group in the State Department. I will ask you whether or not, in your opinion, that Acheson-Hiss pro-Russian group in the State Department contributed to the infiltration of Communists or Communist sympathizers within the State Department?

Mr. PANUCH. It is almost impossible to answer that, sir, responsibly.

I would say that the biggest single thing that contributed to the infiltration of the State Department was the merger of 1945. The effects of that are still being felt, in my judgment.

Mr. MORRIS. In other words, all these people from these agencies, unscreened personnel, were being brought into the State Department?

Mr. PANUCH. That is right.

The CHAIRMAN. Mr. Panuch, do you know who was the liaison officer, for example, between the Bureau of the Budget and the White House? Did you come into that in any way?

Mr. PANUCH. No, sir.

The CHAIRMAN. You testified a while ago that you encountered opposition to your reorganization suggestion. From what groups did you encounter this opposition?

Mr. PANUCH. Well, I would say it was almost exclusively—the big fight was on the Intelligence setup, but there I had the support of the two Assistant Secretaries in charge of the geographic units, Assistant Secretary Dunn and Assistant Secretary Braden, and most of the old-line officers.

The CHAIRMAN. What attitude did the geographic officers take toward this?

Mr. PANUCH. To the Intelligence thing?

The CHAIRMAN. Yes.

Mr. PANUCH. They thought it was a terrible thing; it was going to take them over.

Mr. MORRIS. Did any other groups oppose you?

Mr. PANUCH. Well, the opposition was all of the incoming groups.

Mr. MORRIS. Were there any serious controversies involving policy control?

Mr. PANUCH. Yes. I don't want to repeat. The major policy control issue was the Intelligence, at the national level, and the Intelligence within the State Department; and, of course, the critical one was the Alger Hiss attempt to move his office into the Under Secretary's Office.

Then there was the one I have described about the Foreign Service Act. We almost lost that for two reasons, that I have mentioned.

at the Bureau of the Budget's efforts. And, of course, the loyalty program which we won but lost very shortly after—in 1947.

Mr. MORRIS. That is about the extent?

Mr. PANUCH. Those were the big ones. There were an awful lot of fights, but those were the big ones, having substance.

Mr. MORRIS. How were these controversies related to issues of policy control?

Mr. PANUCH. Well, Mr. Morris, every organizational question in a policy agency—mind you, the State Department deals with nothing except communications, estimates, and policy, and if you control a point in the State Department, by virtue of your position you determine the initiation of a given policy.

So, therefore, any organizational fact in the State Department or in the Joint Chiefs of Staff or in the National Security Council, or even in the Treasury Department, or in the Army, Navy services, involves a policy-control matter.

Mr. MORRIS. Just another question:

Will you discuss this in relation to control of atomic energy? That issue had arisen by then, had it not?

Mr. PANUCH. That issue arose in 1946.

Mr. MORRIS. Will you tell us about that, please?

Mr. PANUCH. I had learned about that when I was in the Office of War Mobilization, prior to that. That is where I got familiar with it.

Mr. James Newman was in that office, and he was in charge of atomic-energy matters, which then came up at a level of the Office of War Mobilization, the supreme domestic office of the President; he advocated socialization of atomic energy as a force so destructive that it should not be permitted to be either under Army control or under business control where it might be utilized for antisocial purposes.

When I came into the State Department, shortly after I came into this Department, there was a so-called Acheson-Lilienthal plan for the international control of atomic energy.

Mr. MORRIS. In other words, that was a plan in being?

Mr. PANUCH. That is right.

Mr. MORRIS. Well defined, and it set forth a particular course of action?

Mr. PANUCH. That is right.

Mr. MORRIS. I wonder if you could tell us what that was?

Mr. PANUCH. Yes; it is a matter of record, but roughly it was a question of we put in all our stuff with the Russians, and we would have no adequate control over their operations, and we opposed that, and Mr. Herbert Marks had charge of that for Mr. Acheson. Mr. Marks, I believe, was counsel to the TVA when Mr. Lilienthal was Director, and he had a personal interest in it. We opposed it for the simple reason that we believed that we had an edge in atomic energy and atomic weapons, and we should keep that to ourselves and not dish it out to people who might be our mortal enemies.

Finally, I think Mr. Byrnes, at my suggestion, and Mr. Frederick Searls' suggestion, asked Mr. Baruch as to whether he would represent us in the United Nations on this question of resolving control of atomic energy, and under what conditions that control would be safe-

guarded. And Mr. Baruch had with him Mr. Searls and Generals Farrel and Eberstadt.

Mr. MORRIS. In other words, they opposed the plan. What was their basis of opposition to the Acheson-Lilienthal plan?

Mr. PANUCH. For the reasons I stated—it was turning it over on a group-balance basis without adequate control of our interests and seeing that there was adequate control.

Mr. MORRIS. How was that resolved?

Mr. PANUCH. The Acheson-Lilienthal group was superseded by this takeover by Bernard Baruch and Eberstadt and Searls in the AEC, and they insisted on dual-equal control, and it never got to first base because the Russians opposed it.

Senator WELKER. Will you again tell the committee the Acheson-Lilienthal plan on atomic energy? I missed that.

Mr. PANUCH. I wonder if I can repeat it.

Senator WELKER. I am sure that you can.

Mr. PANUCH. The essence of the Acheson-Lilienthal plan in a sentence was that it provided for the internationalization of atomic energy on the assumption that we and the Russians and the British were all going to be cooperating partners in the new world, and that we could all cooperate with each other on the basis of mutual trust and confidence.

Senator WELKER. And you doubted that?

Mr. PANUCH. I doubted it; yes, sir.

Senator WELKER. And you had to seek outside help to protect you in that, did you?

Mr. PANUCH. Sir, that is not quite correct. I opposed it within the Department, and we finally made our position effective.

Senator WELKER. Well, your effective opposition was seeking out Bernard Baruch. Is that correct?

Mr. PANUCH. In this sense, Senator: Mr. Frederick Searls and Mr. Franz Snyder, who were a part of Mr. Byrnes' team brought into the Department—we all opposed it. When Mr. Byrnes came back from Europe, we said this should be taken at the highest level, and somebody like Bernard Baruch should take it over for us.

Senator WELKER. Then your team, as you say, together sought out and received the aid of Bernard Baruch?

Mr. PANUCH. Yes, sir; through Secretary Byrnes and President Truman.

The CHAIRMAN. Mr. Morris.

Mr. MORRIS. To get back to the merger again, Mr. Panuch, do you think that the State Department merger had a long-range political objective?

Mr. PANUCH. That is my opinion.

Mr. MORRIS. It is an opinion based on your experience in dealing with it, and you were the person putting it through?

Mr. PANUCH. Experience in the Government. I have a very definite opinion on it.

I think the plan was revolutionary, revolutionary in the sense that it was intended to establish the machinery of perpetual control of national policy through the control of foreign policy and expenditures, and I have prepared a statement on that, which I beg leave to submit to this committee and ask to have incorporated into the record.

Senator WELKER. Can you tell us briefly what it is about, Mr. Panuch?

The CHAIRMAN. Mr. Panuch, we have a 24-hour rule for this committee, before we receive any statements of witnesses, and you have complied with that, and your statement will go into the record and become a part of the record.

Mr. MORRIS. Mr. Chairman, may I point out that some of that statement deals with a period of time that Mr. Panuch was not actually in the State Department. With that limitation, may it go into the record? It is an amplification of his direct testimony to the extent that he talks about the time that he was in the State Department.

To the extent that he talks about periods other than his tenure in the Department, may it go into the record as an opinion of Mr. Panuch, qualified as it was today?

The CHAIRMAN. It may.

(The document referred to follows:)

#### STATEMENT OF J. ANTHONY PANUCH

(Former Deputy Assistant Secretary of State for Administration, and Coordinator of the Merger and Reorganization of the Department of State under Executive Orders 9608, 9621, and 9630; submitted in connection with testimony before the Senate Subcommittee on Internal Security, June 25, 1953)

Any comprehensive investigation of subversive infiltration of the State Department immediately after World War II, for the purpose of influencing our foreign policy, necessarily involves inter alia the following questions:

1. Whether, during the period of 1945-47 subversive infiltration of the State Department was effected and the scope and dimensions thereof.

2. Whether such infiltration was designed to accomplish, and did in fact accomplish, a radical change in the character, structure, and orientation of the State Department as the foreign policy instrumentality of the United States Government.

3. Whether such infiltration was for the purpose of exercising influence or control over the processes of United States foreign-policy formulation, interpretation, and administration; the extent, if any, to which such purposes were accomplished and the ideological motivation therefor; and

4. Whether such infiltration was adverse to or inconsistent with the preservation of our free institutions and the national interest.

These questions in their necessary implication raise profound and highly controversial issues with respect to the relation of the individual and the state; between individual freedom and national security in a world aflame with revolution; of the character and degree of interdependence between our vital national interest and the integrity of our processes of foreign policy formulation and administration.

Accordingly, I respectfully request that this statement be accepted for the record of the hearings as a part of my testimony before this committee.

#### I

Our national survival is dependent on our strategic and internal security. In a democracy such as ours, public opinion decisively influences the course of political action. The capacity to move decisively in international matters—of vital importance to the Nation—is dependent on genuine popular support. Such support when withheld from the Chief Executive in the conduct of the Nation's foreign affairs, because of deepseated popular distrust of the ideological orientation of his foreign policies, usually has one of two fateful consequences to our national security: Either it paralyzes the Nation's political initiative and will to act; or (as in the case of Korea) the Executive's action is subsequently repudiated at the polls. In either event the prestige of the United States as the leader of the free world coalition suffers irreparable injury in the eyes of other nations. Even if the full conspiracy is thwarted by the people's alertness and revulsion, therefore, some damage remains.

To win results such as these; to confuse our purpose; to undermine our free institutions; to promote national tensions and disunity are cardinal objectives of the Kremlin's clandestine strategy of political warfare against the internal security of the United States. To gain these strategic ends, the Kremlin will strike unerringly—with precision and subtlety—at the weakest point of our political structure.

It has done so in the past and will continue to do so in the future by skillful utilization of direct and, above all, of indirect accomplices as the instrumentalities of its hostile purpose.<sup>1</sup>

This great danger to our institutions was recently pointed out by Ambassador George F. Kennan.<sup>2</sup>

## II

The men in the Kremlin are undoubtedly familiar with Abraham Lincoln's admonition that "If this Nation is ever destroyed it will be from within; not from without." Profound students of history, they realize that the most subtle and deadly method of accomplishing our destruction from within is to undermine our free institutions in the name of civil liberties; to cartelize the flow of thought and expression in the name of freedom of speech, opinion, press, and advocacy; to enmesh our strategic security and political initiative in illusory collective security arrangements; to effect the collectivization of our free society in the name of Messianic global reform.

As acute students of our national psychology, they undoubtedly realized that our constitutional institutions could be bypassed or exploited against themselves most effectively if the job were left to the initiative of "men of zeal, well meaning but without understanding"—particularly if they were in a position to influence the formulation or course of our national policy.

This type of masked political assault—to influence or immobilize American policy in the interest of Soviet revolutionary imperialism is much more difficult to detect and much more dangerous than ordinary espionage. Our Constitution limits the crime of treason to "levying war against them (the United States) or in adhering to their enemies, giving them aid and comfort." In an undeclared war such as our present cold war with the Kremlin, or in a "police action" such as Korea, aid and comfort or adhering to the enemy is not punishable treason as constitutionally defined.

These circumstances simplify the Kremlin's problem of influencing the development and course of our national policy. For this purpose agents, members of the Communist Party, United States of America, Soviet sympathizers and fellow-travelers have been effectively used. Great reliance has been placed on the use of the "unwitting" or "unconscious" accomplice—a technique known in security and counter-intelligence operation as "indirect complicity."

Former Under Secretary of State Welles has described this technique (which he mistakenly seems to believe is the invention of the German General Staff) as follows:<sup>3</sup>

"We are consequently too inclined to believe that that (indirect, unconscious complicity) 'can never happen here' because the American citizen is not apt knowingly to become a traitor. The danger lies in our failure to recognize that the German General Staff looks for the weakest spot in the political structure of each country, and that in the Anglo-Saxon democracies the weakest point is not the direct accomplice but the indirect accomplice."

Mr. Welles points out the danger of this technique to our internal security as follows:

"At first glance the theory of indirect complicity seems very simple and easy to deal with. It obviously implies the use by a foreign power for its own ends the nationals of another power without their conscious knowledge. But it would be disastrous to dismiss the danger lightly because of a belief that we can readily construct the necessary legal safeguards, or that we can meet it solely by expanding our existing intelligence agencies. \* \* \* The very nature of the German plan will, in peacetimes, seem fantastic."

<sup>1</sup> "Men born to freedom are naturally alert to repel the invasion of their liberty by evil-minded rulers. The greatest dangers to liberty lurk in insidious encroachment by men of zeal, well meaning but without understanding" (Mr. Justice Brandeis dissenting, *Olmstead v. U. S.* (277 U. S. 438 (1928))).

<sup>2</sup> " \* \* \* The American concept of world law ignores those means of international offense \* \* \* those means of the projection of power and coercion over other peoples—which bypass institutional forms entirely or even exploit them against themselves. Such things as ideological attack, intimidation, penetration, and disguised seizure of the institutional paraphernalia of national sovereignty" (George F. Kennan, *American Diplomacy 1900-50*, p. 98).

<sup>3</sup> *Time for Decision*, Sumner Welles, p. 246. Harper, 1944.

The German use of indirect accomplices was largely confined to industrialists and politicians. The Soviets, on the other hand, preferred to concentrate on the native intelligentsia<sup>4</sup> for whom communism had a powerful appeal.

"Creeping Socialists" employing the "encroaching control" method of revolutionary activity within the policy machinery of the United States Government make exceptionally useful indirect accomplices in the Soviet scheme of operation. This is so because of the clandestine nature of the encroaching control technique which was blueprinted as long ago as 1926.<sup>5</sup>

"One good man with his eyes, ears, and wits about him inside the Department, whether it be the Interior, or the Treasury where the Government's tax policies originate, can do more to perfect the technique of control over industry than a hundred men outside."

Encroaching control was effectively employed in shaping the domestic policy of the United States by the initiation, interpretation, and administrative implementation of reform legislation. But it really came into its own after Pearl Harbor when the War Powers Act enormously enhanced the powers of the Executive and shrouded its operations in the veil of wartime secrecy.

This was accomplished by a mass infiltration of special foreign war agencies created by the Government to operate in the political, economic and paramilitary fields of propaganda, psychological warfare and foreign intelligence. These agencies, with the Treasury Department, partly preempted the functions of the State Department in the field of foreign policy during the war, but were intermeshed with the State Department through interdepartmental committees. They were merged with the State Department immediately after the war in October of 1945.

### III

It was World War II which gave the Soviet plan its impetus. During this period a massive infiltration of sensitive agencies of the Government took place. Pro-Communists and personnel of subversive and revolutionary tendencies were able to establish themselves in strategic "slots" due to the following factors:

1. The war: Universal preoccupation with the all-important objective of winning the war created a general relaxation toward American Communists because of sympathy for the people of the Soviet Union engaged in the common fight against Hitler.

2. War agencies: Temporary war agencies operating in the politico-military field in such sensitive areas as intelligence, propaganda, economic warfare and paramilitary and parapolitical operations gave revolutionary elements in American life the long-sought opportunity to invade en masse the area of foreign affairs.

3. The Hatch Act: The Hatch Act was supposed to be the legal bar to employment of Communists in Government. But the law required legal proof of membership in the Communist Party which, as a practical matter, was virtually impossible to obtain. And the act provided no remedy as to fellow travelers, or other subversives, actual or potential.

4. Supreme Court decisions: In 1943, in the *Schneiderman* case, the Supreme Court indicated that it was possible to advocate the fundamental teachings of the Communist Party and "still be attached to the Constitution of the United States."

There was also the dictum of Justice Jackson in the *West Virginia State Board of Education v. Burnette* (319 U. S. 624 (1943)), in which he issued the following caveat:

"If there is any fixed star in our constitutional constellation, it is that no official, high or petty, can prescribe what shall be orthodox in politics, nationalism, religion, or other matters of opinion, or force citizens to confess by word or act their faith therein."

5. Emasculated loyalty regulations: In 1942 a civil-service regulation was enacted permitting the dismissal of Federal employees concerning whose loyalty there was a reasonable doubt. The *Schneiderman* decision and the Jackson dictum in the *Burnette* case in 1943, made any meaningful administration of this regulation in the civilian agencies of Government virtually impossible. (The armed services had special security legislation which permitted removals in the

<sup>4</sup> Indeed the appeal of the Communist philosophy as distinguished from Communist slogans has always been to the disillusioned intelligentsia. It offers them the power of which they are deprived, and a theory for its ruthless use; and it provides them with a scientific philosophy which satisfies their religious cravings while permitting them to feel up to date. R. H. S. Crossman, *New Fabian Essays*, p. 13.

<sup>5</sup> Encroaching Control, Stephen Raushenbush, *The New Leader*, March 5 and 12, 1926.

best interests of the service.) It was common knowledge that the Communist-dominated Federal Workers Union dictated to the Civil Service Commission the kind of questions which could be asked in its investigation of loyalty.

The testimony before the Civil Service Committee of the House of Representatives during 1946 shows conclusively that the Civil Service Commission was not allotted the funds essential to administer the wartime loyalty regulation. The result of this was that only a small proportion of the civilian employees entering the wartime agencies were screened for security or loyalty.

#### IV

World War II had demonstrated that the most subtle and effective way to shape domestic policy in the United States was to freeze and control the pattern of the economy through heavy Federal expenditures generated by war or an extended foreign crisis. Applying this technique to the postwar situation it was clear that continuance of great expenditures, if geared to an appropriate external emergency, would establish the political and propaganda base on which the redistributive tax levels and economic controls indispensable to any program of socialization could be legislated. In such a climate of postwar emergency, control of foreign policy would amount to a disguised but virtual monopoly over our national policy.

Further, if working control of United States foreign policy were focalized in the United Nations Organization, the role of Congress in our foreign affairs could be bypassed or at least assured by massive propaganda attacking its "provincial" sabotage of the machinery for the preservation of world peace.

To accomplish this objective, the merger of the personnel, functions, properties, and funds of five huge wartime foreign agencies with the State Department was accomplished by Executive order on the recommendation of the Bureau of the Budget. These agencies included the Foreign Economic Administration, Office of War Information, Office of Inter-American Affairs, certain elements of the Office of Strategic Services, and the Office of Foreign Liquidation.

The underlying purposes of this merger, in my opinion, were:

1. To shift control over the formulation of foreign policy from the career Foreign Service officers of the Department to personnel of reliable ideological orientation.
2. To acquire control over all sources of foreign intelligence in the State Department.
3. To centralize control over the foreign intelligence operations of all Federal departments and agencies, including the military departments of the FBI.
4. To shift the center of gravity in the process of United States foreign policy formulation from a national to an international orientation via the supranational United Nations Organization.
5. To build in the United Nations Secretariat and in the Department of State a propaganda machine which would establish the new order and market its policies on a domestic and international basis.
6. To maintain foreign policy control, irrespective of any changes in the national administration, through control over the hiring and firing of all personnel of the State Department and the Foreign Service.
7. To control the recruitment of American personnel for the Secretariat of the United Nations Organization.
8. To gain control over the recruitment of United States personnel of the military government organizations in Germany, Japan, Austria, and Korea as and when these organizations were transferred to the jurisdiction of the State Department.

The Bureau of the Budget directed merger under the War Powers Act provided the color of authority, the funds, and the ideologically qualified personnel to transfer this blueprint into reality under the disarming guise of a routine economy measure and under cover of the chaos incident to demobilization.

Thus, in September and October of 1945 the State Department—theretofore a relatively small, but compact policy agency—became a huge, bloated organization with a confused mission, swamped with inexperienced, untrained—and what is worse, unscreened—personnel.

The merger precipitated a battle for policy control in the Department which engendered savage infighting. Eventually the situation was moderately stabilized, but the problem of eliminating undesirable personnel was never resolved because the effective loyalty and security program set up for the purpose in July of 1946 (under Secretary Byrnes) was superseded by a Governmentwide program installed late in 1947, which made the elimination of undesirable personnel virtually impossible.

## V

In assessing the impact of the merger on the State Department and the formulation of our foreign policies, it is important to understand the political ideology of the great masses of personnel transferred to the Department. For the most part they were people with little experience in foreign affairs. Their ideology was far to the left of the views held by the President and his Secretary of State.

The end of this ideology may fairly be described as a socialized America in a world commonwealth of Communist and Socialist states dedicated to peace through collective security, political, economic, and social reform; and the redistribution of national wealth on a global basis.

The doctrinaire theology underlying this dream of peaceful world reform can be reduced to a few articles of faith which—despite their invalidation by the events of the past 12 years—are still accorded the force of dogma. These were accorded wide publicity when summed up by Thomas Mann in his *The Coming Victory of Democracy* published in 1938. Briefly:<sup>6</sup>

1. Socialism alone is an entirely moral impulse, an impulse of conscience concerned only with human welfare and peace. Socialism is true democracy. Pacifism is the hallmark of socialism and democracy.

2. Nationalism when appearing in highly industrialized nations is a thoroughly aggressive impulse directed against the entire world. Its concern is not with conscience but with power, not with human achievement but with war. Patriotism, capitalism, and imperialism are the emotional and material dynamics of militaristic nationalism.

3. Fascism as manifested in Nazi Germany, Mussolini's Italy, and Franco's Spain is the perversion of socialism to the aggressive ends of militaristic nationalism; and is alone the sole and mortal threat to world peace. If the world cannot achieve peace and progress it will be due solely to fascism and its so-called dynamics.

4. Soviet communism: The Soviet Union, whatever its revolutionary menace to the capitalistic order and whatever its internal policies, is a peacefully disposed socialist nation which does not imperil world peace, the essential on which all else depends.

5. National communism: In backward nations requiring modernization and industrialization but unused to parliamentary democracy, this form of national state is the only acceptable predecessor to socialism.

The underlying influence of this ideological orientation in the course of our political action from World War II through Korea seems evident. The impervious refusal to face the implications of Soviet world imperialism; the decisions of Teheran, Yalta, and Potsdam: the unquestioning acceptance of the United Nations as the sole formula for the maintenance of world peace; the abandonment of nationalist China are not a series of political blunders or mishaps. They cannot be explained in terms of our vital national interest or of our strategic security. They can only be explained as the logical and purposive implementation of a priori revolutionary doctrine oblivious to such considerations.

## CONCLUSION

In one of his last messages to Stalin, the late President Roosevelt cabled: "I am sure you are aware that genuine popular support in the United States is required to carry out any policy, foreign or domestic. The American people make up their mind and no government action can change it."

For the past 7 years, the people of the United States have been deeply divided and confused over the course and orientation of our foreign policy culminating in the Korean war. In the last election, the first since 1940 in which foreign policy was made a national issue, they overwhelmingly voted for a change.

The supreme mission of internal security whether it be exercised by the Chief Executive, or by the Congress or by the Supreme Court in their respective constitutional fields is to safeguard the right of the people to "make up their mind" and to determine their own destiny. This is particularly vital when the popular will conflicts with that of an anonymous bureaucratic elite who have a vested interest in or are the prisoners of a policy which the people have rejected. The

<sup>6</sup> Thomas Mann in his *The Coming Victory of Democracy* (1938) says: "Whatever one may think of socialism from the point of view of economic and political individualism, one must admit that it is peace loving, pacifist even to the point of endangering itself. From its very nature it has very little sense of power and if it should be destroyed, it will be owing to this deficiency."



mission is urgent when the anonymous elite and their allies are superbly skilled in the techniques of engineering consent to their faits accompli by a rationally calculated use of irrational methods of persuasion.

It may be assumed that all efforts on the part of the Chief Executive, the Secretary of State or of the Congress to make the policy echelons of the State Department responsive to the popular mandate will be skillfully resisted. In the case of the committees of Congress any such action will be portrayed as a violation of civil liberties and an invasion of the constitutional prerogatives of the President in the field of foreign affairs.

However, the framers of the Constitution did not intend that the domain reserved to the Executive in a government of limited powers should provide a clandestine rendezvous where the embezzlement of the people's liberty and security could be accomplished by encroaching control over its foreign policy.

It is my opinion that the President has acted wisely and effectively in the measures taken to safeguard the process of foreign-policy formulation and implementation in the State Department. Significant in this respect are the following:

1. The installation of a new security program based on the principle that Government service is a privilege and not a right, and vesting in each department head final authority for the hiring and firing of all personnel under his jurisdiction.
2. The reorganization of the Department of State's security organization and personnel on a basis which will enable it to carry out the President's security program with reasonable efficiency.
3. The drastic reorganization of the Secretariat of the State Department, assuring the Secretary, the Under Secretary, and the Deputy Under Secretaries of State "fingertip" availability and control over the process of policy formulation, coordination, and implementation.
4. Elimination from the Department of operating functions connected with the information program and foreign aid.
5. The designation of the Chairman of the Civil Service Commission as the President's top aid and adviser on matters of Federal departmental personnel.
6. The removal of so-called schedule A re policymaking jobs from civil-service coverage.

These admirable measures, however, are only a point of departure toward the correction of a situation which has become desperately aggravated over the past 7 years, and which can only be brought under control by the Executive with the vigorous support of the Congress through the coordinated exercise of its power of investigation.

Senator WELKER. When was this written, Mr. Panuch?

Mr. PANUCH. Two days ago.

The CHAIRMAN. Will you tell us about your departure from the State Department, when that was consummated.

Mr. PANUCH. I was dismissed instantly. I will give you the detail on it briefly.

In November 1946 Mr. Byrnes had decided to resign on account of a heart condition. He had been under tremendous pressure in the Council of Foreign Ministers, and it was at that time understood that he would resign at the end of the Council of Foreign Ministers' meeting which was then slated for Moscow in April or March of 1947.

Then something transpired which made Mr. Byrnes resign in January.

My superior, Mr. Russell, immediately tendered his resignation, which was accepted, to clear the decks for General Marshall, and I tendered my resignation to Mr. Byrnes. I told him I wanted to get out because my life wouldn't be worth a nickel after the new team took over.

The CHAIRMAN. Why do you say that, Mr. Panuch?

Mr. PANUCH. I was a very unpopular man in the State Department.

The CHAIRMAN. Why?

Mr. PANUCH. Well, on account of the issues that I have testified about with the pro-Soviet clique.

So, what happened was I talked to the Secretary and he said, "Look, it is all right for Don Russell to resign because he was appointed by the President, subject to confirmation, but I have appointed you and you are the only person in the Department that knows anything about the organization, knows anything about the budget, or anything about the administrative matters. General Marshall is a very good friend of mine and I can't accept your resignation and leave him here without anybody who knows something about the enormous problems that have occurred in the last few months."

Mr. MORRIS. This is your conference with whom?

Mr. PANUCH. Secretary Byrnes.

He said, "Why don't you submit your resignation to General Marshall and I will talk to him about you and let you know?"

When General Marshall came from Hawaii, Secretary Byrnes did talk to him and I was told that "General Marshall wants to see you, talk to you, immediately, and he wants to have you stay on."

The next day I was told by a newspaperman that I was slated to get the full treatment, and I found out that Secretary Acheson, who was then Under Secretary Acheson, who was expected to be Under Secretary for General Marshall, during an interim period until Under Secretary Lovett could come over from the War Department, would not tolerate my being around the Department.

Senator WELKER. Who was this? Dean Acheson would not tolerate your being around the Department?

Mr. PANUCH. If he were Under Secretary under General Marshall; yes.

So I made the necessary preparations, and I stayed around to be called by General Marshall, and one of my people was taking care of his engagement desk, and the engagement was constantly being put off, and so on January 23, at 5:30 that night, Under Secretary Acheson called me into his office, and we had a conversation, and he said, "Joe, you and I haven't gotten along very well," and he said, "Now General Marshall has asked me to take over here as Under Secretary until Mr. Lovett comes over and I told him that I would do so only on condition that I would have complete charge of the administration of the Department, and, as you and I don't see eye to eye on various matters, I would like your resignation."

So I told him I had already tendered my resignation to Secretary Marshall, and he said, "Really?"

And I said "Yes."

He said, "Where is it?"

I said, "I will go into General Marshall's room and take it off his desk," which I did.

It was one of the simple ones: "I resign at your pleasure, Acting Secretary for Administration."

I gave that to Mr. Acheson and he seemed surprised, and he put it in his drawer and produced a letter accepting my resignation, signed by General Marshall, effective as of the close of business on that date, which, under Department rules, was 10 minutes later.

The CHAIRMAN. Mr. Panuch, as a final question, I would like to know whether or not your impression at the time you left the State

Department was whether or not this pro-Communist influence which dominated the Department, about which you have testified here this morning, still prevailed?

Mr. PANUCH. Sir, I would say it is present, but whether and where it prevails is a judgment that you would have to make, if you were in the Department, yourself.

The CHAIRMAN. That would depend on the individual's judgment. I believe that Secretary Dulles made the statement that up until the Korean war the pro-Communist interests dominated the Department.

Mr. PANUCH. I would modify that to "pro-Soviet."

The CHAIRMAN. We will not quibble about words. We thank you very much for appearing before the committee. You have given valuable information. You have shown the connecting link between the OSS people and people from other agencies, and the Communist organization.

We thank you for appearing.

Mr. PANUCH. I think it was my obligation.

The CHAIRMAN. Thank you, sir.

We will stand adjourned.

(Whereupon at 12:10 p. m. the committee recessed, subject to the call of the chairman.)

The following letter was ordered printed in the record at this point:)

SYRACUSE UNIVERSITY, MAXWELL GRADUATE SCHOOL  
OF CITIZENSHIP AND PUBLIC AFFAIRS,  
*Syracuse, N. Y., July 14, 1953.*

Mr. ROBERT MORRIS,

*Chief Counsel, Internal Security Subcommittee,  
United States Senate, Washington, D. C.*

DEAR MR. MORRIS: Your letter of July 2 arrived when I was out of town, filling a week's engagement at the University of Chicago.

I don't think I ever have seen the statement by Congressman Bradley to which you refer, although I have been told of it before. In any case, I do not have a copy of it, and have no files developed in the course of my work for the Government. I think, however, that I can be responsive to your inquiry.

Congressman Bradley could have referred only to a single statement I made on one occasion, and only one, considerably before 1946—my present guess would place it in 1935 or 1936. In the course of many thousands of verbal interchanges and the signing of many thousands of memoranda and letters in the hectic work of those days, I feel fortunate that no other statement has lived to plague me.

As I recall it, rather indistinctly out of the whole body of business in which I participated so many years ago, the statement in question was a sentence contained within an intradepartmental memorandum written hastily as a way of treating a gossip kind of charge of Communist affiliation or leaning in the case of an employee known to me as not a Red, but as having other shortcomings which limited his responsible usefulness. It was my feeling that the Red charge was unwarranted, that his real limitations were well understood, and that he was kept within them so that he had no significant influence. In attempting to strike down the unwarranted charge, I wrote too incisively and sweepingly, without making my whole position clear.

Even so, my memo was less idiotic at the time it was written than it would be now. In a strictly legal sense, it was true that a Government employee then had the same right to be a member of the Communist Party as he had to be a member of either of the major parties. And in American theory generally governing at the time, the Communist Party was viewed as, in one sense, a "conventional," additional, splinter party. The real character of the Communist Party greatly differentiating it from our conventional parties had not then been much revealed. I had at that time never seen a Communist or a Communist sympathizer, so far as I knew.

Nevertheless, if I had written at more length I would have given a very different impression, for it was my belief then, as it is now, that a known Communist should not in fact be retained in Government employment. At approximately the same time as I had written the memo we have been discussing, I had verbally instructed an executive to secure the resignation of a subordinate employee who had admitted Communist membership to this executive. That resignation was submitted, and, of course, accepted. Even within the limits of law and popular temper then existing, it seemed clear to me that a Communist would be a person so little understanding of the American people and American ways, so poor in judgment, as to make a poor public servant. Even a reformed Communist seems to me unlikely by virtue of his reform to become suddenly characterized by commonsense. My memo was a crude and hurried effort to knock down a libel, not to defend a Communist.

After all these years I cannot verify the precise phraseology you quote, but the purport of this letter is to say that I did on one occasion use some such language as that attributed to me, in the circumstances just described.

I have been out of the Department where these things happened over 9 years. Some of the persons I knew then are still alive, some still in Washington, a goodly number of them in Congress. The President's brother, Milton Eisenhower, was one of my most intimate coworkers in those days.

Sincerely yours,

PAUL H. APPLEBY.



# THE DEPARTMENT OF STATE IN

# 1806

The Secretary  
MR. MADISON

## Patents and Copy-Rights

For services rendered by Dr. Thornton, in superintending and issuing patents for useful inventions and discoveries, in securing copy-rights, etc. etc., a compensation has been allowed him of \$1,200.

The Chief Clerk  
MR. WAGNER, \$2,000

The Chief Clerk distributes the business among the others, and superintends its execution, under the direction of the Secretary. His active duties are diversified according to the nature and pressure of the general business of the Department, and among them may be particularized his assistance in its correspondence upon minor subjects.

Among other business too various to be detailed, there is a considerable quantity of copying, particularly of correspondence with our ministers and agents abroad, frequently including voluminous documents. This is performed by the gentlemen of the office according to the state of their other engagements, without its being the stationary business of any.

MR. PLEASANTON, \$900

Makes out and records patents for military bounty lands, for lands in John James Sonner's tract, equippers for councils, all civil commissions, and commissions for making officers within the District of Columbia, records the correspondence with our ministers to foreign countries, and transmits the laws to the printers for promulgation.

MR. FORREST, \$800

Makes out and records patents for lands sold under the direction of the registers, and also, passports for citizens going abroad. His knowledge of the French language which he speaks is found a useful quality.

Mr. I. Gardner, for occasional services in filling up and recording land patents \$250.

MR. THOM, \$800

Makes out and records Virginia military land patents pays the rewards under the seventh article of the British treaty in far as they are payable to the Department, and keeps contingent accounts of the Department.

MR. SMITH, \$800

Records all the correspondence, except that with the ministers abroad, and in conjunction with Mr. Brent attends to the business relative to suppressed treason, and to collating the laws previous to their publication.

MR. BRENT, \$1,000

In conjunction with Mr. Smith he attends to the business of suppressed treason, and assists in collating the laws previous to their publication which he superintends.

This chart is based on the Congressional submission by Secretary of State James Madison, showing for 1806 the names of the clerks employed, their duties, and their salaries (as required by the Act of April 21, 1806).

The term "clerk" is synonymous with "officer." In 1808 Attorney General Evans stated: "Clerks in the several Executive Departments were officers under the Government of the United States."

# APPENDIXES

## APPENDIX No. I

### PART I—ORGANIZATIONAL HISTORY OF THE DEPARTMENT OF STATE

The future is but the lengthened shadow of the past. A survey of the growth of the Department of State from its beginning in 1789 to the present time is therefore pertinent. In evaluating the picture of development, many factors must be considered—the phenomenal growth of the United States from a small group of 13 independent colonies to a world power, the emergence of world problems which dwarf nation-to-nation relationships, and lastly, the transformation of the Department itself from a small, closely knit, intimate group into a complex organization with enormously expanded personnel.

Milestones which will be used to illustrate the growth of the Nation and the Department are the dates 1789-90, 1833, 1870, 1909, 1922, 1938, 1943, and 1946. Charts for these years are included in order to supplement the textual treatment by showing the growth of the various functions—by units and personnel. The terms geographic, economic, information, intelligence, and administration are used in their present sense, except that the controls function, now under the jurisdiction of the Assistant Secretary for Administration, is grouped under miscellaneous. The term miscellaneous also includes certain functions which were the responsibility of the Department at one time, but which have subsequently been dropped—such as Bureau of Domestic Records, Patent Office. Supervisory and Staff connotes all top staff and advisory officials and the employees in their immediate offices—Legal Adviser, Assistant Secretaries, and up. Since records were incomplete for the earlier years, it was necessary in some instances to make approximate allocations of personnel to the various functions.

*1789-90—Birth of the Department.*—In July 1789 the Department of Foreign Affairs was established as the first executive Department under the Constitution, and in September of the same year its name was changed to the Department of State. The small agency of 5 persons and 1 part-time employee was charged with the responsibility of handling the foreign activities of the infant Republic and supervising certain domestic activities such as the Patent Office.

*1791-1833—Early growth.*—While the wars of the French Revolution and of Napoleon were claiming the attention of Great Britain, France, and Spain, the United States was steadily developing—solidifying its governmental structure, expanding westward, and building up its strength as a nation. By 1823 the foundations of American foreign policy had been laid through the instrument of the Monroe Doctrine and by pronouncement of our belief in freedom of the seas and separation from foreign entanglements.

The Department of State grew during these years without benefit of organizational pattern. In 1833 Secretary Louis McLane reorganized the agency to include a Chief Clerk's Office and seven bureaus, each with specific responsibilities which fall into the present day categories of political, general administration, foreign service administration, and miscellaneous. It is to be noted that organizational specialization on a geographic basis was initiated at this time in the Diplomatic Bureau with a division of work by areas or regions.

*1834-70—Expansion.*—During this period the United States, aided by skillful diplomacy, expanded in the North American Continent. The Department was tested by the task of preventing European interference in the Civil War in support of the South and strengthened by its success in preventing the establishment of a French empire in Mexico.

The Department reflected the expansion of the Nation, but an organizational improvement was abandoned when formal bureau designations were eliminated in 1855. Although the organizational units continued to function informally on a bureau basis, the pattern of operations was not clear cut. However, an improve-

ment occurred during these years when in 1853 and 1866, respectively, the offices of Assistant Secretary and Second Assistant Secretary were created.

In 1870 Secretary Hamilton Fish formally reorganized the Department, finding the designation of bureaus and the specific fixing of responsibilities essential to its operations. Thirteen bureaus were established to carry out specific functions with 4 of them under the direct supervision of the 2 Assistant Secretaries, but no functional groupings were made. The embryonic geographic offices, created in 1833, were further developed by the establishment of the First and Second Diplomatic Bureaus and the First and Second Consular Bureaus. Identifiable organizationally were political, administrative, and certain miscellaneous functions. In addition, and in recognition of the increasing importance of trade and trade relations, there was established a Statistical Bureau which may be considered the forerunner of the economic offices.

*1871-1909—National maturity.*—By the end of the 19th century, the United States attained national maturity and an important place in world affairs. The Republic had concluded a war with Spain and expanded territorially by the acquisition of Alaska, Midway, Hawaii, Puerto Rico, the Philippines, Guam, and Wake. Under the "big stick" policy of Theodore Roosevelt, this expansion was continued with intervention in the Caribbean by landing marines in Cuba, Haiti, and Nicaragua, and with the building of the Panama Canal.

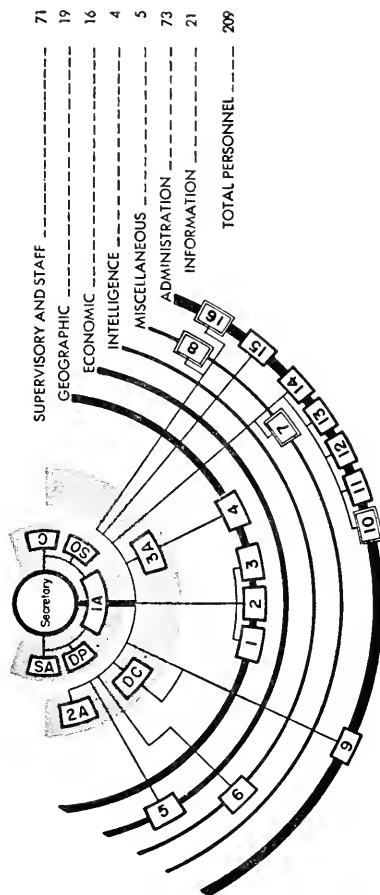
In the years prior to World War I, industrialization of the American economy progressed rapidly, reaching a point where manufactured articles comprised approximately one-half of the total exports. In the Far East, trade with Japan increased; and, with Great Britain, the United States insisted on the open-door policy in China in order to foster equality of commercial opportunity. Out of this came reciprocity treaties, new colonial markets, and increased trade generally.

In spite of expansion in the Pacific and on the continent and the larger commercial horizon, isolation from Europe and European power politics remained our basic policy.

The increased prestige and power of the Nation was reflected in the workings and organization of the Department. A survey of the 1909 picture, after the reorganization under Secretary Philander Knox, shows the pattern of the agency in the period preceding the First World War. Certain factors are noteworthy:

1. Five new divisions were added, four of which were organized on a geographic basis.
2. Specific duties were assigned to the Third Assistant Secretary (office established in 1875).
3. Additional executive positions, including the Counselor, were added in recognition of the need for more staff and operational elements.





1A Assistant Secretary  
2A Five Special Officers  
3A The Counselor  
4A Office of the Solicitor  
5A Resident Diplomatic Officer  
6A Second Assistant Secretary  
7A Third Assistant Secretary  
8A Director of the Consular Service

1 Division of Far Eastern Affairs  
2 Division of Near Eastern Affairs  
3 Division of Latin American Affairs  
4 Division of Western European Affairs  
5 Bureau of Trade Relations  
6 Division of Information  
7 Bureau of Citizenship  
(also includes Administrative functions)

8 Office of the Law Clerk  
(also includes Information functions)  
9 Consular Bureau  
10 Bureau of Indexes and Archives  
(also includes Information functions)  
11 Bureau of Appointments  
12 Bureau of Accounts  
13 Translator's Office

14 Diplomatic Bureau  
15 Chief Clerk  
16 Bureau of Rolls and Library  
(also includes Information functions)

SUPERVISORY AND STAFF ----- 71  
GEOGRAPHIC ----- 19  
ECONOMIC ----- 16  
INTELLIGENCE ----- 4  
MISCELLANEOUS ----- 5  
ADMINISTRATION ----- 73  
INFORMATION ----- 21  
TOTAL PERSONNEL ----- 209

4. The need was realized for special divisions to handle intelligence activities (Division of Information), and international commercial affairs (Bureau of Trade Relations).

5. An inordinately large number of organizational units reported to the highest echelon with no grouping of like functions or duties.

6. An ill-defined difference existed with respect to the organizational status of bureaus, divisions, and offices.

*1910-22—World power.*—When World War I enveloped Europe in 1914, this Nation was overwhelmingly in favor of neutrality. Despite great efforts to maintain this position, our national security was endangered, and the United States entered the war in 1917. With the Allied victory in 1918, the United States emerged as a great and influential world power. President Wilson's League of Nations plan was hailed by many as a panacea for all the ills of international relations. However, American enthusiasm waned, and opposition to any type of alliance grew during the period of conferences, debates, and bargaining over the Treaty of Versailles and the League of Nations. Pacifism and isolationism reemerged as the accepted tradition.

In analyzing the organizational pattern of the Department in 1922, one sees the effect of the First World War during which the Nation developed into a power in world affairs. Functions were expanded, organizational units added, and personnel increased. More specifically, the following factors are of interest:

1. More complete specialization of political work on a geographic basis (addition of two more political divisions) was effected, and the preferred organizational status was given to the divisions engaged in this work.

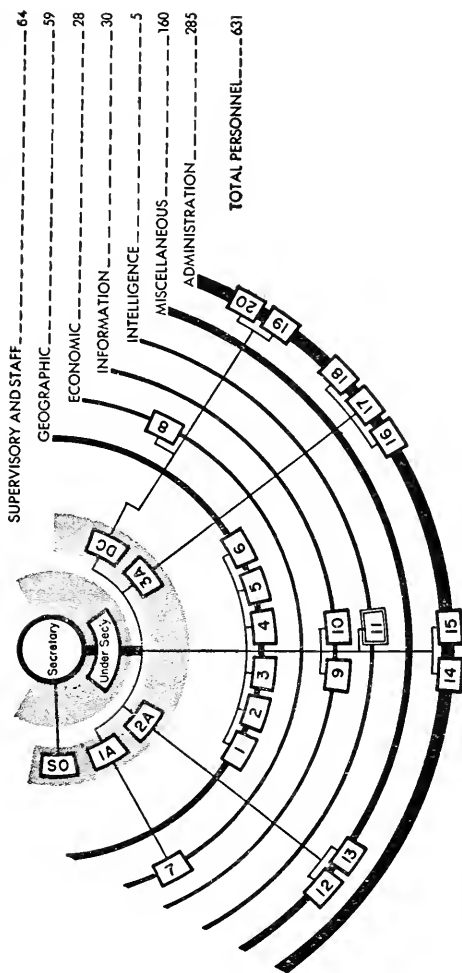
2. The information, intelligence, and economic functions increased in importance.

3. The position of Under Secretary was created; this official took over many of the duties of the former position of Counselor which had been established in 1909.

4. Responsibility for supervision of organizational units was assigned to each of the Assistant Secretaries—a return of the plan instituted in 1870 but abandoned in 1873 since which time the trend had gradually swung back to the 1870 concept.

5. An attempt was made to group supervision by functions.

1922



1923-38—*Prelude to World War II.*—The national sentiment in support of pacifism and isolation returned. Attempts were made to eliminate war in the Kellogg-Briand pact, the Washington and London Naval Disarmament Conferences, and the Neutrality Acts of 1935 and 1937. The "good neighbor" program and the Pan-American system were sponsored by the United States in order to present a stronger American front against external aggression; further, the inter-American treaty of nonintervention guaranteed that the United States would forego further "big stick" practices in this continent. In addition, the Nation gave up its Caribbean protectorates and passed the Philippine Independence Act.

From an economic standpoint the period was unstable. World War I had changed the role of the United States from a debtor to a creditor nation; over half the nations of the world owed this country large sums of money. Yet high protectionist tariffs throttled trade to such an extent that there were no means by which debtor nations could make a satisfactory economic recovery or by which creditor countries could increase their economic activities and offset their "bad debt" ledger. The situation grew steadily worse, and by 1930 nation after nation had defaulted in payment of its debts; depression deepened, banks failed, and a worldwide economic crisis occurred. Reciprocity agreements again became the objective of United States trade negotiations—this time for the purpose of world economic appeasement as well as for our own trade improvement.

From 1922 to 1938 international relationships disintegrated alarmingly. Germany, Italy, and Japan committed acts of aggression and violence, despite protests of the League of Nations and the United States. Spain was in the throes of fascism. Communist Russia was an enigma to the democracies. This troubled international situation was intensified further by worldwide economic warfare.

By 1938 the State Department knew that war was likely but made no organizational adjustments to meet this threatening contingency. The most notable characteristics of this period are:

1. No progress had been made in the functional grouping of divisions and offices under the Assistant Secretaries and the Under Secretary, indicating that no advance planning was effected regarding the addition of new functions (for example, see the Office of Philippine Affairs, established 1936).
2. The Division of Cultural Relations was established in 1938 in recognition of cultural relations as a factor in international affairs.
3. Trade agreement negotiations increased the importance and size of the economic divisions.
4. Despite a period of great change and evil forebodings, there was little organizational adaptation between 1922 and 1938 to meet the changing environment and the new problems.



1939-43—*World War II*.—The totalitarian nations continued their aggression despite negotiations with peace-seeking nations the world over. The United States consistently proclaimed her neutrality and tried to bring about peace. This failed, and in December 1941 Japan and Germany declared war on the United States.

During World War II, the Department was called upon to assume major tasks such as assuring friendly and cooperative relations with our allies, weakening the enemy's position in world affairs, and coordinating and guiding the foreign activities of other Federal agencies. The Department was criticized as lacking a basic pattern of organization to assume effectively these enormous responsibilities. A study of the Department in 1943, in the midst of war, brings forth the following comments:

1. Growth and changes in economic functions of the Department from 1940 to 1943 were substantial. Emphasis on a functional economic organization in the Department reflected the growing importance of economic consideration in international affairs.

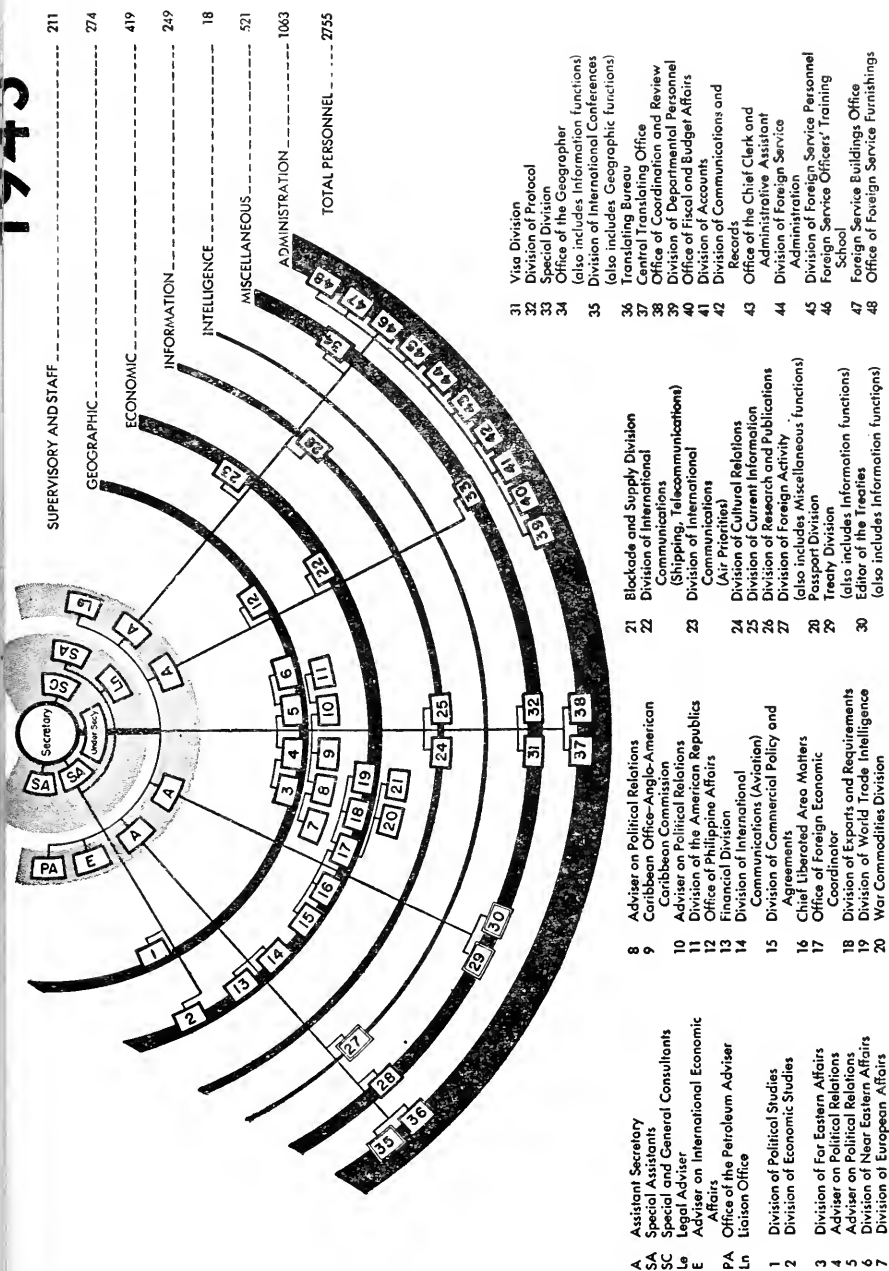
2. The establishment of top planning and coordinating committees indicated (a) that the Department realized that such endeavors are a necessary prelude to implementation of policy, and (b) that increased wartime responsibilities were thrust upon the inadequate prewar framework.

3. The consolidation of the 6 political or geographic divisions into 4 in 1937 and the addition of 4 political advisers to guide them, represented the first change in the political divisions since 1922, except the small Office of Philippine Affairs and the Caribbean Office, which had been added in 1936 and 1941 respectively.

4. Functions were grouped indiscriminately and incoherently under the Assistant Secretaries, with responsibility for like functions divided; also some divisions were accountable to several officials.

5. An excessive number of diverse organizational units reported directly to the highest operating echelon, the Assistant Secretaries. A large number of divisions reported to the Under Secretary who ostensibly was a policymaking rather than an operating official.

1943



*1946—Reconversion and transition.*—1946 finds the world groping to solve the problems of reconversion from World War II to peace on an international basis. The hoped-for evolution of world affairs from diplomatic interplay between great powers to a universal concern of all individuals for international cooperation requires a revolution in organization and procedures in foreign affairs. The United Nations is looked to for guidance in preventing another war, which, with the advent of the atomic bomb and other weapons, threatens to destroy civilization.

The Department of State represents the United States in this complex new world. Hence, each phase of its responsibility is thrown into sharp focus as it attempts to digest a multitude of new functions and employees which were incorporated at the close of the World War II. The 1946 chart reflects the influence of the two 1944 reorganizations (which obviated many of the organizational ills of the 1943 pattern). It also reflects the assumption of the functions and personnel of the Office of War Information, Foreign Economic Administration, Army-Navy Liquidation Commission, Office of Inter-American Affairs, and certain intelligence functions of the Office of Strategic Services, which were appended to the Department in 1945 at the close of the war. Important aspects of the current organization are:

1. Similar functions have been partially consolidated and grouped under divisions, offices, and Assistant Secretaries.

2. Offices have been established in order to reduce the number of staff members reporting to top-ranking officials and to fix the organizational status of Assistant Secretaries, offices, and divisions. However, the great number of offices tends to defeat the purpose of the office structure.

3. The geographic or political offices have been established as the pivotal points of coordination, although the functional offices are the pivots in certain areas of action.

4. The need for increasing public and congressional understanding has been recognized.

5. The Secretary's staff and coordinating committees have been established on a top planning level with departmentwide representation in an effort to correlate and harmonize postwar planning with top policy.

6. The Division of Management Planning has been created in order to resolve administrative and organizational problems and plan for effective growth.

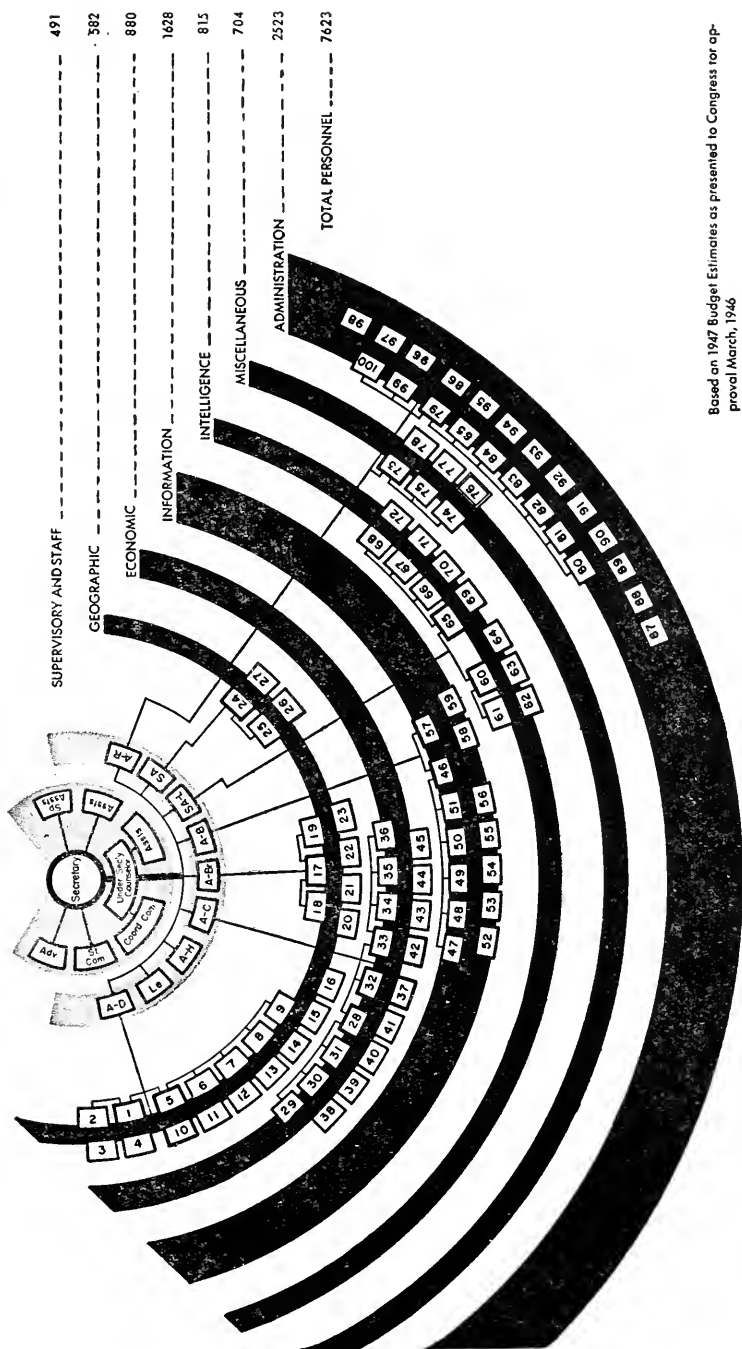
7. Specialized divisions have been added to cope with the problems of the Foreign Service.

8. Certain specific growth factors are important—the addition of a special “arm” for intelligence, the increase in informational and cultural activities, and the increase in the number of the economic divisions.

9. The greatest organizational growth in the history of the Department occurred between 1943 and 1946. From 49 operating organizational units in the war year 1943, the Department has mushroomed to 18 offices and more than 80 divisions in 1946. Personnel similarly increased from 2,755 in 1943 to 9,602 positions in January 1946, which included 1,979 positions scheduled for liquidation.

10. Although the large number of divisions emphasizes the variety of functions and responsibilities of the Department, a study of the current chart suggests that there is too fine a division of responsibility and therefore too much diffusion and too little centralization.





Based on 1947 Budget Estimates as presented to Congress for approval March, 1946

Adv.	Advisers to the Secretary	29	AV	Aviation Division	64	PN	Presentation Division
St. Com.	Secretary's Staff Committee	30	SD	Shipping Division	65	ORI	Office of Research and Intelligence
Coord. Com.	Coordinating Committee	31	TD	Telecommunications Division	66	ARI	Division of American Republics Intelligence
A-B	Assistant Secretary for Public Affairs	32	FLC	Office of Foreign Liquidation	67	BCI	Division of British Commonwealth Intelligence
A-Br	Assistant Secretary for American Republic Affairs	33	OFD	Office of Financial and Development Policy	68	EAI	Division of Europe, Near East and Africa Intelligence
A-C	Assistant Secretary for Economic Affairs	34	FIN	Division of Financial Affairs	69	FEI	Division of Far East Intelligence
A-D	Assistant Secretary for European, Near Eastern, African and Far Eastern Affairs	35	ED	Division of Investment and Economic Development	70	USI	Division of USSR Intelligence
A-H	Assistant Secretary for Occupied Areas	36	LP	Division of Lend-Lease and Surplus War Property Affairs	71	IFI	Division of International and Functional Intelligence
A-R	Assistant Secretary for Administration	37	ITP	Office of International Trade Policy	72	CON	Division of Map Intelligence and Cartography
Le	The Legal Adviser	38	IR	International Resources Division	73	MI	Office of Controls
SA	Special Assistant for International Organization and Security Affairs	39	PED	Petroleum Division	74	PD	Passport Division
SA-L	Special Assistant for Research and Intelligence	40	ILH	Division of International Labor, Social and Health Affairs	75	VD	Visa Division
					76	FC	Division of Foreign Activity Correlation (Also includes Intelligence Functions)
1	NEA	41	CP	Office of Commercial Policy	77	SPD	Special Projects Division
2	NE	42	ESP	Office of Economic Security Control	78	CSA	Division of Investigation
3	ME	43	ES	Division of Economic Security Control	79	OFS	Office of the Foreign Service
4	AF	44	GA	Division of German and Austrian Economic Affairs	80	FSP	Division of Foreign Service Planning
5	FE	45	JK	Division of Japanese and Korean Economic Affairs	81	FP	Division of Foreign Service Personnel
6	CA	46	OIC	Office of International Information and Cultural Affairs	82	FSS	Division of Training Services
7	JA	47	INP	International Press and Publications Division	83	FR	Division of Foreign Reporting Services
8	SEA	48	IBD	International Broadcasting Division	84	FA	Division of Foreign Service Administrations
9	PI	49	IMP	International Motion Pictures Division	85	FOO	Division of Foreign Buildings, Operations
10	EUR	50	IEP	Division of International Exchange of Persons	86	CDA	Office of Departmental Administration
11	BC	51	ILI	Division of Libraries and Institutes	87	CR	Division of Coordination and Review
12	EE	52	ADE	Area Division I (Europe)	88	IC	Division of International Conferences
13	CE	53	ADN	Area Division II (Near East and Africa)	89	PR	Division of Protocol
14	SE	54	ADF	Area Division III (Far East)	90	TC	Central Translating Division
15	NOE	55	ADA	Area Division IV (American Republics)	91	DP	Division of Departmental Personnel
16	WE	56	ADO	Area Division V (Occupied Areas)	92	MS	Division of Management Planning
17	ARA	57	OPI	Office of Public Affairs	93	CN	Division of Central Services
18	MA	58	PL	Division of Public Liaison	94	DC	Division of Communications and Records
19	CCA	59	RP	Division of Research and Publication	95	CY	Division of Cryptography
20	BA	60	OCO	Office of Intelligence Collection and Dissemination	96	OBF	Office of Budget and Finance
21	NWC	61	IAD	Division of Intelligence Collection and Distribution	97	DB	Division of Budget
22	RPA	62	REF	Intelligence Reference Division	98	DF	Division of Finance
23	RL	63	BI	Division of Biographic Intelligence	99	ONY	New York Regional Executive Office
24	SPA				100	OSF	San Francisco Regional Executive Office
25	IS						
26	DA						
27	OA						
28	TRC						

*Summary.*—As a prolog to the consideration of current operations and problems, the following may be useful:

1. Changes, reorganizations, and developments in the Department of State have been related to national trends, world events, and the changing character of international relationships. Adaptation to changed conditions has been slow.

2. Until the early 1930's the Department was relatively small, yet sufficiently large to administer an isolationist foreign policy.

3. Until the early 1930's the Department found it possible to function as a small, intimate group with the close personal ties in the geographic-political divisions serving as the major coordinating influence.

4. Dominating the Department and influencing its methods and organization are the traditions and outlook peculiar to the oldest executive department of the Government and its Foreign Service career personnel.

5. The political and administrative (or service) branches are the oldest in the Department and both have been conservative in their growth. However, the administrative or service units have become much larger in size than the political divisions which have remained small, largely because of the desire of their officers to work informally in small groups.

6. The economic, intelligence, and informational activities show a greater growth in recent years than the older branches and now threaten, by weight of sheer numbers, to submerge or subordinate the geographic political divisions.

7. The greatest percentage of growth is found in the period between 1938 and 1946. This reflects the abnormal increases of functions and duties during World War II and the addition of many postwar functions.

8. In 1944, two major reorganizations altered materially the old structure and established the present framework. The circumstances attending these reorganizations were such that attempts to clarify organizational status and fix responsibility have been unsatisfactory both from the standpoint of the relationship of relative jurisdiction and primacy between the various area and functional groups.

9. The Department's growth has not been directed according to a carefully predetermined pattern. Various branches have assumed responsibility only as it has been thrust upon them by national and world events. Organizational difficulties have then been worked out in great haste, under pressure, and by trial and error. New divisions and units have been added in a similar fashion. Complicating factors are:

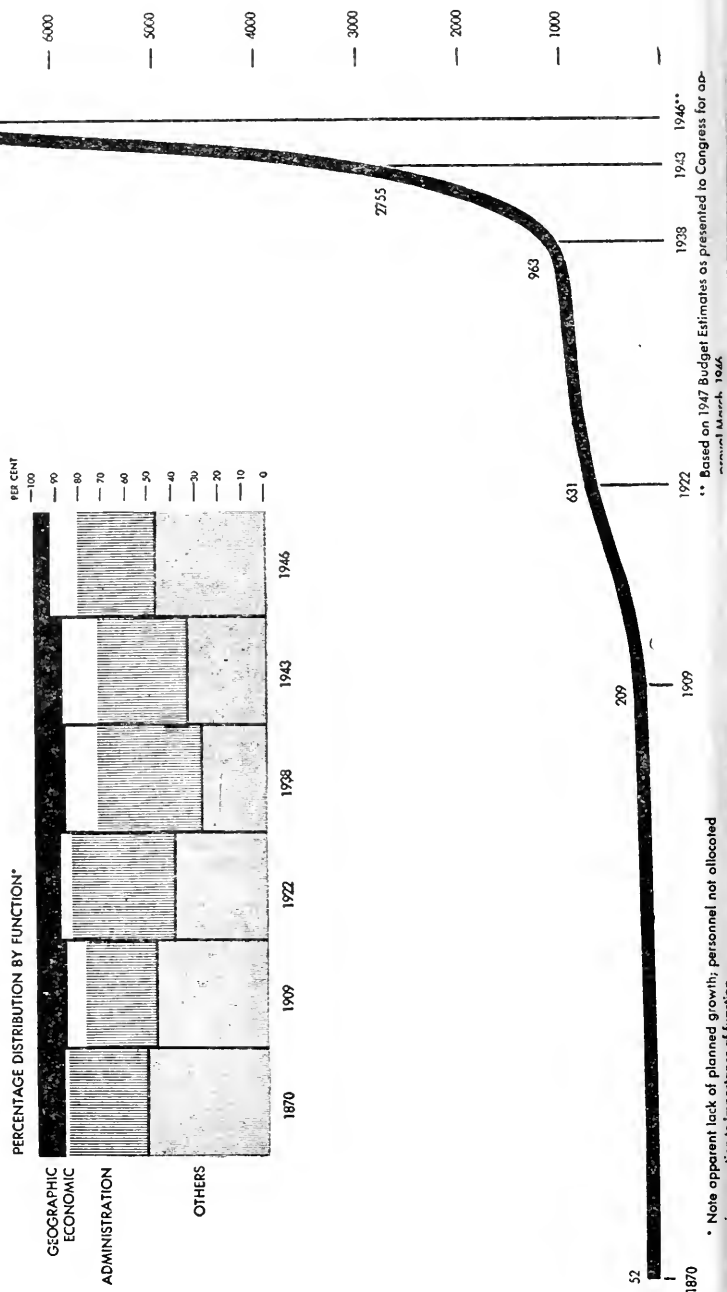
(a) The very rapid expansion in both personnel and number of units during World War II.

(b) The additional organizations and functions transferred to the Department of State after World War II.

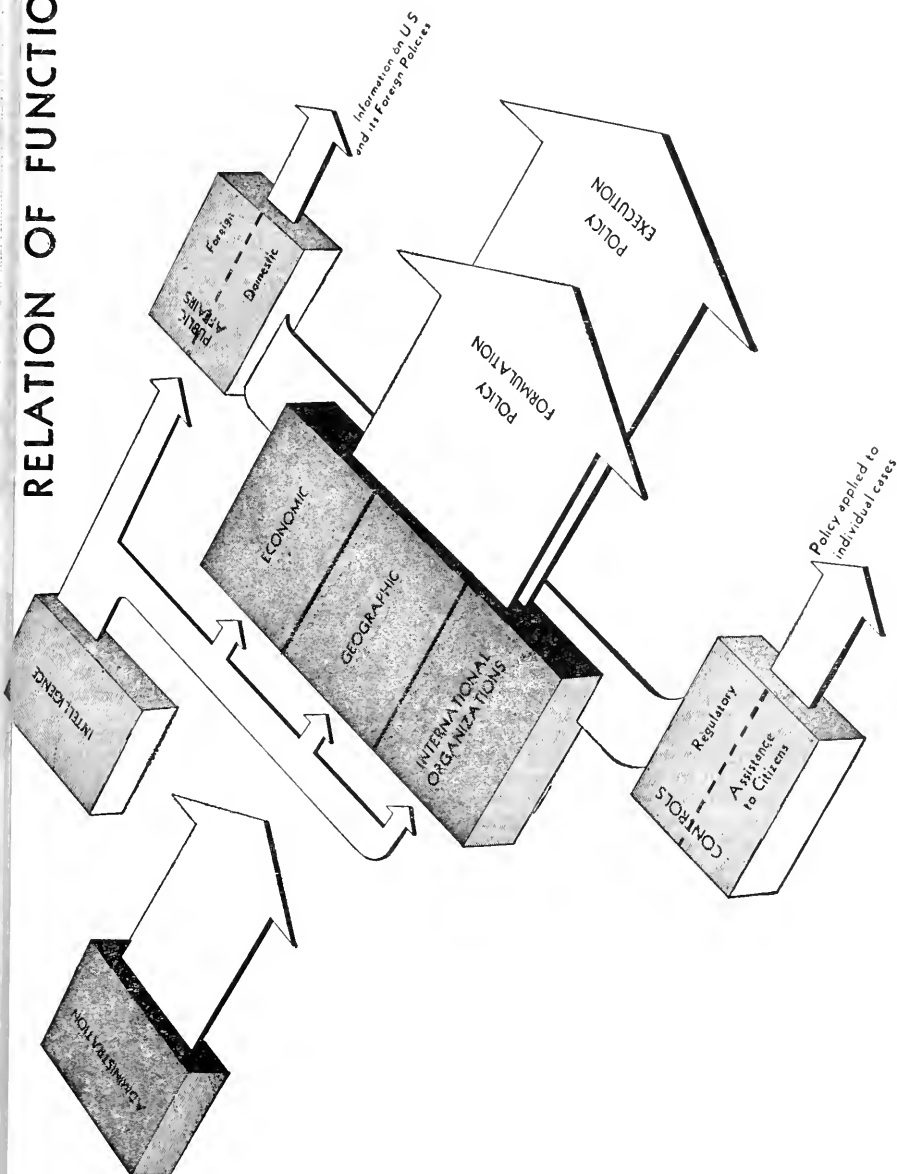
(c) The difficulty of gearing together and relating (1) organizational entities established on a geographic basis and those organized for specific functions, and (2) the dealings of the United States with individual nations and the relationships of United States with the United Nations, regional associations, and occupied areas.

(d) The unresolved conflict between specialization and the desire of old established units to be self-sufficient and thus to develop decentralized auxiliary services such as intelligence, information, economics, cultural, and administrative activities.

## GROWTH AND DISTRIBUTION OF PERSONNEL



## RELATION OF FUNCTIONS



## APPENDIX II

REPORT OF THE ORGANIZATION OF THE DEPARTMENT OF STATE, JANUARY-JUNE 1946

(Pp. 38-39)

*Special Political Affairs (SPA).*—The Office of Special Political Affairs was established in recognition of the special importance of having a central office for the support of our participation in United Nations and certain other related international organizations.

Although older than some of the offices such as intelligence and information, SPA is still new in the sense that there are no agreed concepts governing its current functions. When first established, the Office of Special Political Affairs was to act for the Department in developing principles of organization and procedure for U. N. and other international groups. These activities naturally called for coordination of the Department's policies "across the board"—geographic and functional—insofar as they related to such principles.

Now that organization and procedures for the United Nations have been established, the question arises as to the appropriate future function of SPA in the Department. Administrative matters in connection with international conferences are the responsibility of the International Conferences Division, under the Assistant Secretary for Administration. Does this mean that SPA has no legitimate functions in that field? Policy matters involving the Department's substantive work are handled by the U. N. delegation which often deals directly with the substantive offices. Where does SPA enter into this relationship? At this stage of SPA's organizational existence, its future functions must be determined. Opinions vary throughout the Department as to what responsibilities it could most usefully assume. In view of the increasing importance of international cooperation, there will be an increasingly greater need for specialists in this area. One phase of such specialization is to furnish expert advice of the Department of the Government as a whole on the various procedures used in international organization. Another might be the continued coordination of general policy to insure that organization procedures facilitate the fullest possible execution of this policy. However, in some sections of the Department it is believed that SPA should be given a broader charter of authority. For example, there exists the opinion that SPA should be the focal point of coordination for the Department and the U. N. delegation for substantive and administrative matters—that all matters in connection with international cooperation should have an organizational "home base." The view has also been advanced that SPA should follow through as the coordinator of interdepartmental participation in international organizations and the leader among other Federal representations, thereby insuring protection of all phases of United States policy.

It is evident that the issues involved in SPA's future functions are related to the Department's operations. For this reason, careful, analytical consideration should be given to its scope of operations.

*Unclear jurisdiction.*—Collective harmony is conspicuously absent in the Department's current operations. Intradivisional and intrafunctional confusion exists because no clear-cut objectives, function, or areas of jurisdiction have been established. Although current orders and regulations attempt to provide a charter for this purpose, they either are not followed or do not present a workable and realistic arrangement. For instance, the relationship between the geographic offices and other organizational units is hazily defined in the official orders (departmental order 1301, December 1944):

"The geographic offices shall be responsible for the formulation of overall United States policy toward the countries within their jurisdiction and for coordination, as to these countries, of the programs and activities of other offices and divisions of the Department, and of other Federal agencies, with overall United States foreign policy."

This statement does not in any way suggest that in certain functional fields the authority of the geographic offices is limited. On the other hand, the language used in defining the roles of certain functional offices, e. g.—

"The Office of Special Political Affairs shall have responsibility, under the general direction of the special assistant to the Secretary in charge of international organization and security affairs, for the formulation and coordination of policy and action relating to such affairs, with special emphasis on the maintenance of international peace and security through organized action.

"The Office of Controls shall have responsibility, under the general direction of the Assistant Secretary for Administration, for formulating and coordinating policy and action in all matters pertaining to the control activities of the Department of State."

Similar all-inclusive language has been used in defining the responsibility and jurisdiction of the economic offices and the information offices.

In the actual operations of the Department this confusion is strikingly and objectively reflected in the analysis of the outgoing communications for a 48-hour period, which shows how diffused is the responsibility for handling the Department's business (see accompanying chart). Matters relating to the protection of United States business interests abroad, to the assistance of United States citizens abroad, and to departmental and foreign service administration, were handled in almost all of the offices of the Department. Answers to routine letters from the public requesting information about established policy and other matters, which could easily have been handled by the information offices, were dealt with by many geographic and economic offices and, in many cases, by the Office of Controls.

*Coordination.*—Because of the compartmentalization between the offices of the Department, a number of devices and procedures have grown up, the purpose of which is to facilitate unified policy development and action in the numerous offices and divisions. In addition to a great deal of informal consultation by the officers at all levels, the three main devices are the circulation of information copies and summaries, the clearance system, and the committee system.

*Circulation of information.*—Free and easy access to information on policy developments and other intelligence is essential to the smooth and coordinated functioning of the Department. It is necessary that this information be distributed horizontally as well as vertically.

Although a great deal of information passes through the regular administrative channels, one of the major complaints of the lower echelons, as well as in certain functional offices, has been that information is not readily available. However, great improvement has been made in this arrangement during the last few years, and even though there is still a tendency to limit access to important policy information, or highly special reports from the field, to a few individuals at the top, the situation is far better than ever before.

On the other hand, with respect to less highly classified information, there is danger that too much information is being circulated at the present time, or rather that there is too much duplication in its circulation. This practice tends to make the work of every desk officer too much of a paper-shuffling operation as he is kept busy hastily moving routine information material from his incoming to his outgoing basket.

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